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Keysheen (Cayman) Holdings Co., Limited

2018 Annual Report

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Market Observation Post System website: <http://mops.twse.com.tw>

Annual report inquiry website: <http://www.keysheen.com>

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III. Board of Directors

Title	Name	Gender	Country of Citizenship	Education & Key Past Positions	Positions Held Concurrently
Chairman	LIU CHUNG-HSIN	Male	Republic of China	EMBA, National Chung Hsing University Chairman of Keysheen Industry Co., Ltd	Chairman, Keysheen(Cayman)Holdings Co., Limited Director, Yauchung Investment Corp. Supervisor, Keysheen Industry (Shanghai) Co., Ltd Director, Courtyard Creations Inc. Director, Courtyard Creations International Limited Director, Lumar Industries Limited Chairman, Keysheen Industry Co., Ltd
Corporate director	Lauer & Sons Corp. Representative of corporate: CHEN MING-SHAN	Male	Republic of China	Chinese Culture University Department of Economics National Chengchi University Executive Program General Manager of Department A, Kinik Company	None
Director	LIN HONG-CHI	Male	Republic of China	Ph. D. Business Administration, Nova Southeastern University Passed the Professional Examinations of Accountants Chairman of Lee, Lin & Co. CPA Firm	Supervisor, Kinik Company Supervisor, Hsin Tung Yang Co., Ltd. Supervisor, Sunty Development Co. Ltd.
Director	LIU HSIN-TSU	Male	Republic of China	Takushoku University Department of Mechanical Systems Engineering	Chairman, Keysheen Industry (Shanghai) Co., Ltd Director, Keysheen(Cayman)Holdings Co., Limited Director, Courtyard Creations Inc. Chairman, Keysheen Vietnam Ltd. Director, Lauer & Sons Corp. Director, Creative Creations Inc.
Director	LEE CHENG-PING	Male	Republic of China	BBA of Department of Business Administration, Fu Jen Catholic University Master, University of San Francisco	Chairman, DanHua Trading Co., Limited Chairman, Kun Cheng Ltd. Chairman, Hua Bin Co., Ltd. Supervisor, Taiwan Tanabe Seiyaku Co., Ltd. Director, Tsai Hsing Development Co., Ltd.
Director	LIU I-HSIAO	Female	Republic of China	MBA, University of Houston	Chairman & general manager, Keysheen(Cayman)Holdings Co., Limited Director, Keysheen Industry (Shanghai) Co., Ltd Director, Courtyard Creations Inc. Director, Sinture Holding Ltd. Representative of corporate director, Creative Courtyards International Limited Director, Keysheen Vietnam Ltd.
Director	LIU TSU-KUN	Male	Singapore	Duquesne University International Business Department	Director, Keysheen Industry (Shanghai) Co., Ltd Director, Keysheen(Cayman)Holdings Co., Limited Director, Courtyard Creations Inc. Director, Creative Courtyards International Limited Director, Keysheen Vietnam Ltd. Supervisor, Creative Creations Inc. Director, Lauer & Sons Corp.
Independent Director	LIU KONG-HSIN	Male	Republic of China	National Taiwan Ocean University Department of Shipping and Transportation Management AVP General management office of Formosa Plastics Group Director, Formosa Chemicals & Fibre Corporation	Representative of corporate director, United Renewable Energy Co., Ltd President, Longdee Enterprise Co., Ltd Director, Taiwan Speciality Chemicals Corporation Director, Solar PV Corp(Cayman)
Independent Director	LIN YU-SIANG	Male	Republic of China	Master of East Asian Languages and Cultures, Florida State University Legislators of Legislative Yuan, Republic of China Senior Executive Officer of Policy Committee, KMT	None

IV. Name, title, telephone number, and e-mail of power of attorney for appointing the litigation/ non-litigation agent in Taiwan

Name of power of attorney : LIU CHUNG-HSIN
Title: Chairman, Keysheen(Cayman)Holdings Co., Limited
Telephone number: (02)2219-2640
E-mail: investor@keysheen.com

- V. Name, address, website, and telephone number of the entity handling shares transfer and recordation
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Website: <http://www.emega.com.tw>
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- VI. Firm name, address, website, telephone number and the name of the CPA who attested the most recent year's financial report:
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- VII. The name of any exchanges where the company's securities are traded offshore and the method by which to access information on said offshore securities: N/A.
- VIII. Website: <http://www.keysheen.com>

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One. Letter to shareholders

Dear Shareholders,

On behalf of Keysheen (Cayman) Holdings Co., Limited, we sincerely welcome all shareholders to the shareholders' meeting.

Looking over the past year, the company's operating performance was not satisfactory, due to the significant appreciation of the RMB relative to USD in the first half of the year and the fact that the Vietnam factory was still in the early stages and the output has not yet reached economies of scale. Later, with the start of the US-China trade war, the company's production and sales in the second half of the year were affected. Facing the increasingly severe external environment, the company will actively integrate the resources of the two factories in Shanghai and Vietnam to streamline operations and curb expenditures in the face of these uncertainties, in order to return to the company's previous growth track.

At present, the integrated production plant in Vietnam has been completed and has been put into production of high-end customized rattan outdoor furniture. With the addition of new production capacity, the business order strategy will be more flexible. We are confident that the operating scale of the Vietnam factory will grow year by year, which will drive the overall profit of the group in the future.

The following is a summary of the 2018 Business Report and 2019 Business Policy and Development Strategy:

I. The 2018 business report

(I) The result of 2018 business report:

In thousands of NTD, except earnings(deficits) per share

Item	For the year ended December 2018		For the year ended December 2017		Amount increase(decrease)	% increase(decrease)
	Amount	%	Amount	%		
Operating income (Note 1)	6,152,017	100.00%	4,867,900	100.00%	1,284,117	26.38%
Gross profit	1,249,528	20.31%	1,139,010	23.40%	110,518	9.70%
Net operating profit	134,699	2.19%	127,789	2.63%	6,910	5.41%
Non-operating income and expenses (Note 2)	(60,806)	(0.99%)	30,668	0.63%	(91,474)	(298.27%)
Income before income tax(Note 3)	73,893	1.20%	158,457	3.26%	(84,564)	(53.37%)
Total comprehensive income for the year(Note 3)	(50,317)	(0.82%)	45,058	0.93%	(95,375)	(211.67%)
Earnings(loss) per share	(0.48)	-	0.43	-	(0.91)	(211.63%)

Note 1: The increase in operating income was mainly caused by the increase in orders and rattan products in the new quarter compared to the previous year.

Note 2: The main reason for the decrease in non-operating income and expenses in 2018 was due to the increase in exchange losses arising from the forward contracts RMB against USD.

Note 3: The main reason for the decrease in net profit before tax and annual net profit for the year was due to exchange losses arising from the forward foreign exchange transactions undertaken in the year of 2018.

(II) Budget execution status: Not applicable.

(III) Financial results and profitability analysis

Unit: %; NTD

item		Ratio
Return on assets		(0.11)
Return on equity		(1.24)
percentage over the issued capital	operating profit	12.92
	net income (loss) before tax	7.08
Profit margin		(0.81)
Earnings Per Share		(0.48)

(IV) Research and development status:

(1) The Company's research and development expenses invested in 2018 are NT\$100,989,000, accounting for approximately 1.64% of the net revenue; the amount of investment decreased compared with the previous year.

(2) Product development

In addition to continuing the development of the general product line, the company has strengthened the research and development of new product lines, such as: high-end furniture series and urban series products. Besides, the company has continued to invest in the development of rattan outdoor furniture products and plastic rattan materials and expects to have customized service and market segmentation through a diverse range of products.

(3) Business development

Continue providing more efficient logistics systems and after-sales services and strengthen supply chain partnership cooperation model and management.

(4) Development of Shanghai factory

Utilizing the most appropriate production scale and stable supply chain resources, the Company has committed to the composite development and application of various materials, and in-depth study of refined and modular processing technology to continuously enhance the company's product cost competitive advantage,

comfortability, and value.

(5) Development of Vietnam factory

The construction of the consistent production plant has been completed in 2018 and has begun production of new high-end customized rattan products.

II. 2019 business policy and development strategy, important production and marketing policies, and impacts of the overall business environment, external competitive environment, and regulatory environment

(I) Business policy and development strategy

Shanghai factory

- (1) We will continue to deepen the outdoor leisure furniture products and actively develop the leisure and living-related products. In the future, we may expand of the company's operations through strategic alliances.
- (2) Will be committed in development of potential customers, which will increase the added value of the product by improving the quality and diversified product design.
- (3) Strengthen the joint development and cooperation plan with customers and design products that fit the needs of consumers. In addition, it will enhance the overseas logistics operation process, which will make the product shipment timely and make the after-sales service mechanism more perfect.
- (4) Facing of external uncertainties, the Shanghai factory will adopt a more conservative strategy, not to focus on revenue growth, and select suitable products to ensure stable profitability.
- (5) Actively develop green environmentally-friendly raw materials and optimize the process. In addition to complying with the local government's environmental protection policies, the company adheres to the core objectives of long-term operation of the company in terms of energy conservation, carbon reduction and pollution reduction.

Vietnam factory

- (1) The integrated production plant for the rattan product line has been completed and put into production, and will gradually realize the company's plan to penetrate the high-end rattan outdoor furniture market. In the future, through the expansion of new product lines, it will bring more diversified product choices for customers.
- (2) Establish a smart factory management system to achieve customized mass production conditions through full process bar code management and production history scheduling.
- (3) Gradually establish and operate a complete upstream and downstream supply chain, in addition to making production costs more competitive, making future capacity planning more flexible and responsive.
- (4) Fully consider the equipment capacity utilization rate, in addition to meeting the

production needs of the factory, it will plan to fulfill the supplier to order production, to improve the production capacity and production efficiency.

(II) The important production and marketing policies

- (1) Promote balanced production throughout the year, streamline the use of workers' efforts and strive to optimize the production process. With an automated and labor-saving production model, manpower and production costs can be more effectively controlled.
- (2) Strengthen the on-the-job training for employees and pay attention to the training of multi-capacity expertise to improve production efficiency, and cooperate with production line automation to improve equipment utilization rate.
- (3) Give full play to the specialties and strengths of the two factories, continue to deepen the development of various product lines with appropriate division, and enhance the penetration and market share of the company's products with more diversified design, and then provide high added value service to our customers.
- (4) Following the trend of global e-commerce, the company will cooperate with customer's operating model to increase the proportion of e-commerce sales, in order to increase the scale of operations.

(III) Impacts of the overall business environment, external competitive environment and regulatory environment

- (1) Looking back on the previous year, the global economy as expected to show steady growth, both in the United States and the strong economic performance of the European Union or the continued recovery of the Asian market, which will make the businesses being profitable and then pulling the economy. The global economy seems to have shaken off the downturn from the past years. In addition, the price of raw materials stabilized, and the RMB exchange rate went down in the second half of the year, which also made the company's profit performance significantly better than that in the first half of the year.

Looking forward to the new year, most of the research institutions expect that the pace of global economic expansion will be slowing down. The uncertainties affecting the economy will increase, whether or not the US can continue to raise interest rates as expected and the trade barriers, as well as a slowdown in global economic growth. The slowdown will also bring further risks to the emerging markets. It is estimated that the North American market is still more stable than other region and the power consumption is still showing moderate growth. For the company's main market, mainly in North America, it is still positive for the overall future development of the operations.

- (2) We will face challenges from competitors with diversified products and customized high-end products. At the same time, we will maximize the overall corporate resources by leveraging the industry supply chain's strategic alliances, in order to strengthen the company's irreplaceable supply role and stabilize the competitiveness of the industry.
- (3) In response to rapid changes in the production environment, such as labor and environmental protection, the Company must develop efficient and stable business models and consider that new product lines should be produced in a more suitable and competitive production environment. The company has been accelerated expanding its plant in Vietnam for the past two years. It is expected to be put into production in the next quarter and the new capacity will increase the scale of the company's operations and drive growth.

The company has accumulated rich industry experience for decades and established a complete production system. The innovative design and independent development of materials and stable cooperation with customers are the strong business foundations of the company. With the rapid changes in the market and the continuous increase in production costs, the challenges faced by enterprises are becoming increasingly severe. The company will face competition and challenges with its own business advantages and core capabilities. After the Vietnam factory was officially put into production, the management team will go all out in its efforts and will have more confidence for the company's operations of the growth in the future.

We would like to ask all of you shareholders to continue in your encouragement and support. The management team and all colleagues will go all out to face the challenges of the current environment and create better operational performance for the company, so that shareholders and customers, and employees may benefit from improved business performance.

I wish all the Shareholders good health and good luck.

Chairman: LIU CHUNG-HSIN
General manager: LIU I-HSIAO

Two. Corporate profile

I. Corporate and group Profile

(I) Date of incorporation and company profile

1. Date of incorporation: September 8, 2010

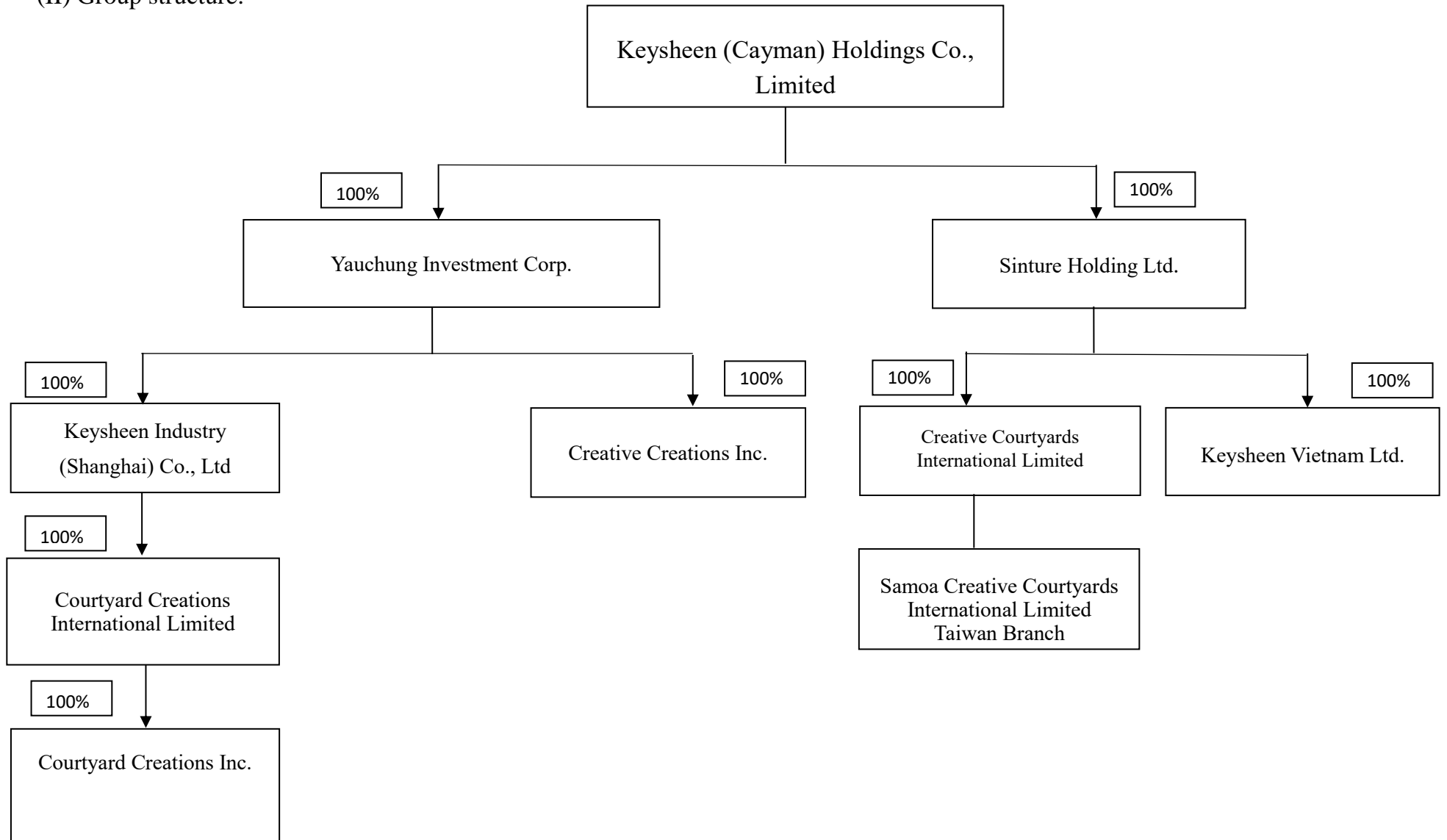
2. Group profile:

Founded in Taiwan in 1972, the group is engaged in the production and sale of outdoor leisure furniture-related products. In 1995, it started in China and selected the Shanghai Qingpu Industrial Park to build a consistent production plant.

According to the government's policy of promoting overseas companies to return to Taiwan, the Group established the first listing entity on September 8, 2010 - Keysheen (Cayman) Holdings Co., Ltd became the parent company of the group. It was officially listed on December 6, 2011.

In response to the rapid changes in the manufacturing environment, the Group added a new plant in January 2016 in Guiwu Industrial Park, Beining Province, Vietnam to build new capacity and develop a new rattan product line. Looking forward to the strategic thinking of global layout, we will complete the blueprint for the Group's sustainable operation.

(II) Group structure:



II. Corporate history

Date	Major chronicle
May 1995	Established Shanghai Keysheen Leisure Products Co., Ltd.
September 1997	Established Keysheen Industry (Shanghai) Co., Ltd in Qingpu District, Shanghai.
June 2000	Shanghai Keysheen Leisure Products Co., Ltd. has a cash injection of USD2.7 million.
July 2001	Keysheen Industry (Shanghai) Co., Ltd has a cash injection and moved to its current address in Qingpu Industrial Park.
September 2001	Keysheen Industry (Shanghai) Co., Ltd has a cash injection of USD10.8 million.
March 2006	Keysheen Industry (Shanghai) Co., Ltd has a cash injection of USD22.1 million.
March 2009	Re-invested in the Mauritius subsidiary Courtyard Creations Inc.
September 2010	Keysheen(Cayman)Holdings Co., Limited founded.
January 2011	Keysheen(Cayman)Holdings Co., Limited and Yauchung Investment Corp. proceeded equity swap.
February 2011	Shanghai Keysheen Leisure Products Co., Ltd. has a cash injection of USD2 million.
May 2011	Applied to the Taiwan Stock Exchange for the primary listing of stocks.
July 2011	The listing has been approved by Financial Supervisory Commission of Taiwan
August 2011	The listing has been approved by Securities and Futures Bureau, Financial Supervisory Commission.
October 2011	initial public issuance of stock
November 2011	Proceeded with a cash offering NTD 100 million of new shares for a capital increase in connection with an initial listing on the Taiwan Stock Exchange
December 2011	Listed in Taiwan Stock Exchange.
January 2012	Yauchung Investment Corp. has a cash injection of USD25 million.
January 2012	Keysheen Industry (Shanghai) Co., Ltd has a cash injection of USD21 million.
January 2012	Shanghai Keysheen Leisure Products Co., Ltd. has a cash injection of USD4 million.
July 2012	Keysheen(Cayman)Holdings Co., Limited processed surplus to a capital increase of NTD180 million; the paid-up capital after the capital increase was NT\$1.08 billion.
November 2014	Keysheen(Cayman)Holdings Co., Limited has canceled the treasury stock to reduce capital; the amount of paid-up capital after the capital reduction was NTD1.06285 billion.
November 2015	Keysheen(Cayman)Holdings Co., Limited has canceled the treasury stock to reduce capital; the amount of paid-up capital after the capital reduction was NTD1.04261 billion.
November 2015	Re-invested in Samoa subsidiary Sinture Holding Ltd.
January 2016	Established Keysheen Vietnam Ltd. in Guiwu Industrial Park, Yungung County, Beining City, Beining Province, Vietnam
March 2016	Re-invested in Samoa subsidiary Creative Courtyards International Limited.
October 2016	Established Taiwan branch of Creative Courtyards International Limited.
November 2016	Samoa subsidiary Sinture Holding Ltd. has a cash injection of USD8 million.

Date	Major chronicle
November 2016	Keysheen Vietnam Ltd. has a cash injection of USD8 million.
April 2018	Re-invested in subsidiary Creative Creations Inc. in Shanghai China.
October 2018	Shanghai Keysheen Leisure Products Co., Ltd. has completed the liquidation procedure.

III. Listing of risk

I. Industrial risk

(I) Risk of product sales in the off-season / peak season is obvious:

The sales of the outdoor leisure furniture industry are mainly developed in the European and American economies dominated by the northern hemisphere, supplemented by the southern hemisphere and other markets. The retailer's sales period starts from November every year to the end of the second year of June and early July. The sales period of the company from October to the end of April and early May, and the characteristics of the industry makes the sales season quite obvious. There are some uncertainties in the production, storage and transportation of our products.

(II) Risk of speedy product style update

Every year the styles and colors that are popular in the market often change with the preferences of consumers. The company's listed products are about 600 sets in the styles and colors per year, and the proportion of products that can be re-sold in the next year is only about 8% to 12%. Most of the products must be re-developed. In the case of rapid product style updates every year, it is necessary to have strong product development capabilities. If it is impossible to design products that meet the market trend, it will have a significant impact on operations.

II. Risk of operations

(I) Risk of rising labor cost:

Due to the continuous increase in local basic wages in Shanghai, China, there are also factors such as lack of workers in coastal areas, which has led to an increase in labor costs. If it is not possible to streamline the use of workers, cultivate multi-skilled expertise training and timely increase the price of products, the company's product gross profit and business benefits will have an impact, which will in turn pose risks to the company's operations.

(II) Geopolitical risk of overseas plant

In response to market needs, the company has built a consistent rattan plant in Vietnam, which will gradually expand the proportion of Vietnam's production, and hope to create a more flexible space for future orders, thereby promoting the Group's overall profitable growth. In addition, if there is a change in the geopolitical or economic environment of the region in which the overseas factory is located in the future, there will be certain risks to the operation of the company.

(III) Risk of exchange rate fluctuations

The company's main sales customers are large-scale stores in Europe and the United States, so the sales are all denominated in US dollars, while the original materials are purchased locally in China and are denominated in RMB. Therefore, if the exchange rate fluctuates

drastically, it will pose risks to the company's operations.

III. Other important risks

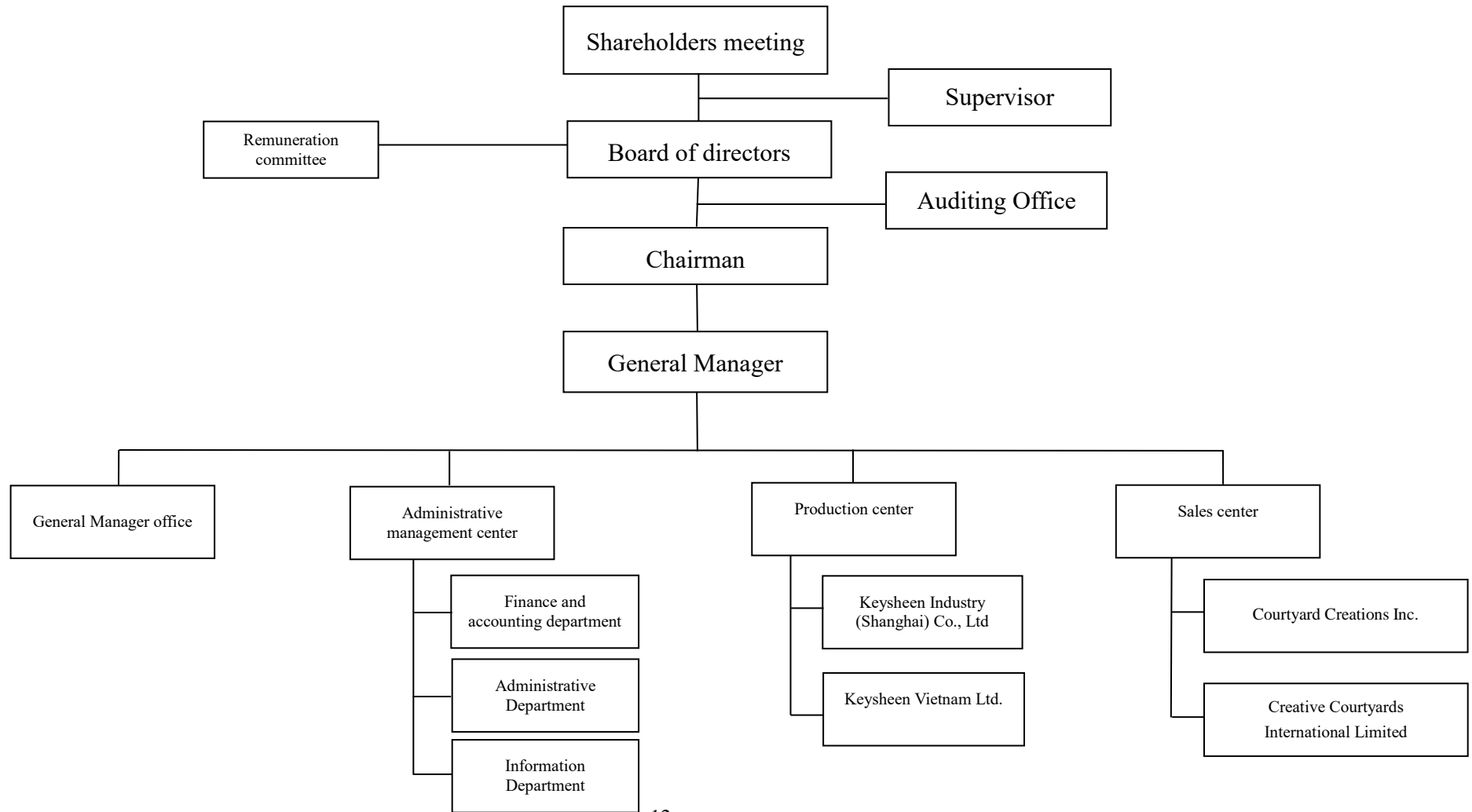
The company is registered in the Cayman Islands and its main operations are located in China and Vietnam. Changes in the overall economic and political environment of the place of registration and the place of operations and fluctuations in foreign exchange will affect the operations of the Company. There are differences in compliance between company's registration in the Cayman Islands and Taiwan, such as the company law, the economic substance bill, etc. Although the company has amended the company's Articles of Association in accordance with the "the checklist of important matters concerning the protection of shareholders' equity for foreign issuer" by TWSE, there are still many differences in the laws governing the operation of the company. Investors still need to know and consult experts on the risks associated with the investment.

Three. Corporate governance report

I. Corporate organization

(I) Corporate organizational chart

Corporate organization chart of Keysheen(Cayman) Holdings Co., Limited



(II) Business of each department

department	main duty
Chairman	The company's highest overall decision-makers, supervise the implementation and implementation of the company's operations, and implement the resolutions of the board of directors.
general manager	It is mainly responsible for coordinating the supervision of the company's resources to achieve the company's operational performance and goals.
Auditing Office	Mainly responsible for the audit, evaluation and measurement of operational efficiency of the parent company's internal control system; and assist the board of directors and management to fulfill their responsibilities.
sales center	Mainly responsible for coordinating the supervision of sales center resources to achieve the company's sales performance and goals.
production center	Mainly responsible for coordinating the supervision of production center resources to achieve the company's production performance and goals.
Administrative management center	Responsible for the management of the company's investment and working capital, the preparation of the company's accounting and the preparation of financial statements, the management of taxation, the management and execution of the company's human resources and internal administrative affairs, the management and management of information systems, hardware and software, and Exception handling.
general manager office	Mainly responsible for the company's external speech, corporate media relationship management and related public relations activities, corporate governance related matters, shareholder, remuneration committee and board of directors operations.

II. Information on the company's directors, supervisors, general manager, assistant general managers, deputy assistant general managers, and the supervisors of all the company's divisions and branch units

(I) Information of directors and supervisors

Information of directors and supervisors (I)

April 14, 2019

Title (Note 1)	Country of Citizenship	Name	Gender	Elected Date Date	Term	First Elected (Note 2)	When Elected		currently		Shares Owned by Spouse and		Shares held through		Education and Key Past Positions(Note 3)	Positions Held Concurrently	Related to Directors and Supervisors		
							Shares Owned		Shares Owned		Minors		nominees				Title	Name	Relationship
							No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage					
Chairman	Republic of China	LIU CHUNG-HSIN	Male	2017.6.16	3 years	2010.9.8	10,320,000	9.90%	10,320,000	9.90%	8,248,000	7.91%	0	0	EMBA, National Chung Hsing University Chairman, Keysheen Industry Co., Ltd	The Company: Chairman, Keysheen(Cayman)Holdings Co., Limited Director, Yauchung Investment Corp. Supervisor, Keysheen Industry (Shanghai) Co., Ltd Director, Courtyard Creations Inc. Director, Courtyard Creations International Limited Other company: Director, Lumar Industries Limited Chairman, Keysheen Industry Co., Ltd	Director	LIU I- HSIAO	Father and daughter
Corporate director	British Virgin Islands	Lauer & Sons Corp.	Male	2017.6.16	3 years	2011.3.17	11,520,000	11.05%	11,520,000	11.05%	0	0%	0	0%	Chinese Culture University Department of Economics National Chengchi University Executive Program General Manager of Department A, Kinik Company	The Company: N/A Other company: N/A	None	None	None
	Republic of China	Representative of corporate: CHEN MING-SHAN					0	0%	96,000	0.09%	72,000	0.07%	0	0%					
Director	Republic of China	LIN HONG-CHI	Male	2017.6.16	3 years	2011.3.17	240,000	0.23%	240,000	0.23%	0	0%	0	0%	Ph. D. Business Administration, Nova Southeastern University Passed the Professional Examinations of Accountants Chairman of Lee,Lin & Co.CPA Firm	The Company: N/A Other company: Supervisor, Kinik Company Supervisor, Hsin Tung Yang Co., Ltd Supervisor, Sunty Development Co. Ltd.	None	None	None

Title (Note 1)	Country of Citizenship	Name	Gender	Elected Date Date	Term	First Elected (Note 2)	When Elected		currently		Shares Owned by Spouse and Minors		Shares held through nominees		Education and Key Past Positions(Note 3)	Positions Held Concurrently	Related to Directors and Supervisors		
							No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage			Title	Name	Relationship
Director	Republic of China	LIU HSIN-TSU	Male	2017.6.16	3 years	2011.3.17	9,362,400	8.98%	9,362,400	8.98%	0	0%	0	0%	Takushoku University Department of Mechanical Systems Engineering	The Company: Chairman, Keysheen Industry (Shanghai) Co., Ltd Director, Keysheen(Cayman)Holdings Co., Limited Director, Courtyard Creations Inc. Chairman, Keysheen Vietnam Ltd. Director, Creative Creations Inc. Other company: director of Lauer & Sons Corp.	Director	LIU TSU- KUN	siblings
Director	Republic of China	LEE CHENG-PING	Male	2017.6.16	3 years	2017.6.16	85,000	0.08%	85,000	0.08%	27,000	0.03%	0	0%	BBA of Department of Business Administration, Fu Jen Catholic University Master, University of San Francisco	The Company: N/A Other company: Chairman, DanHua Trading Co., Limited Chairman, Kun Cheng Ltd., Chairman, Hua Bin Co., Ltd., Supervisor, Taiwan Tanabe Seiyaku Co., Ltd. Director, Tsai Hsing Development Co., Ltd.	None	None	None
Director	Republic of China	LIU I-HSIAO	Female	2017.6.16	3 years	2017.6.16	7,398,609	7.10%	9,478,609	9.09%	0	0%	0	0%	MBA, University of Houston	The Company: Keysheen(Cayman)Holdings Co., Limited Director, Keysheen Industry (Shanghai) Co., Ltd Director, Courtyard Creations Inc. Director, Sinture Holding Ltd. Representative of corporate director, Creative Courtyards International Limited Director, Keysheen Vietnam Ltd. Other company: N/A	Chairman	LIU CHUNG- HSIN	Father and daughter
Director	Singapore	LIU TSU-KUN	Male	2017.6.16	3 years	2017.6.16	5,308,560	5.09%	5,308,560	5.09%	0	0%	0	0%	Duquesne University International Business Department	The Company: Director, Keysheen Industry (Shanghai) Co., Ltd Director, Keysheen(Cayman)Holdings Co., Limited Director, Courtyard Creations Inc. Director, Creative Courtyards International Limited Director, Keysheen Vietnam Ltd. Supervisor, Creative Creations Inc. Other company: director of Lauer & Sons Corp.	Director	LIU HSIN- TSU	siblings

Title (Note 1)	Country of Citizenship	Name	Gender	Elected Date Date	Term	First Elected (Note 2)	When Elected		currently		Shares Owned by Spouse and Minors		Shares held through nominees		Education and Key Past Positions(Note 3)	Positions Held Concurrently	Related to Directors and Supervisors		
							No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage			Title	Name	Relationship
Independent Director	Republic of China	LIU KONG-HSIN	Male	2017.6.16	3 years	2011.3.17	0	0%	0	0%	0	0%	0	0%	National Taiwan Ocean University Department of Shipping and Transportation Management AVP General management office of Formosa Plastics Group Director, Formosa Chemicals & Fibre Corporation	The Company: N/A Other company: Representative of corporate director, United Renewable Energy Co., Ltd President, Longdec Enterprise Co., Ltd Director, Taiwan Speciality Chemicals Corporation Director, Solar PV Corp(Cayman)	None	None	None
Independent Director	Republic of China	LIN YU-SIANG	Male	2017.6.16	3 years	2011.3.17	0	0%	0	0%	0	0%	0	0%	Master of East Asian Languages and Cultures, Florida State University Legislators of Legislative Yuan, Republic of China Senior Executive Officer of Policy Committee, KMT	The Company: N/A Other company: N/A	None	None	None
Supervisor	Republic of China	LAI WU-LANG	Male	2017.6.16	3 years	2011.3.17	360,000	0.35%	360,000	0.35%	0	0%	0	0%	Senior management completion in Tunghai University Director and finance manager, Formosa Taffeta Co., Ltd.	The Company: N/A Other company: Vice chairman, Business Accounting Association/ Taiwan Director, Taipei Accounting Association	None	None	None
Supervisor	Republic of China	HU JING-MING	Male	2017.6.16	3 years	2011.3.17	324,000	0.31%	324,000	0.31%	0	0%	0	0%	Department of Accounting, Soochow University	The Company: N/A Other company: General manager, LiJing Textile Co., Ltd	None	None	None
Supervisor	Republic of China	CHEN I-TAI	Male	2017.6.16	3 years	2011.3.17	240,000	0.23%	240,000	0.23%	10,000	0.01%	0	0%	Executive director of Cosmos Steel Sheet Co., Ltd.	The Company: N/A Other company: Executive director of Cosmos Steel Sheet Co., Ltd.	None	None	None

Note 1: Institutional shareholders should list the names and their representatives separately (representatives of institutional shareholders should indicate the name of the institutional shareholders), and shall complete the following table 1.

Note 2: Fill in the first elected time as a director or supervisor of the company. If there is any interruption, it should be noted.

Note 3: Experience related to current position. If he/she has worked in the certified public accountant firm or a related company during the previous period, it shall state the title and responsible position.

Table 1: major shareholders of institutional shareholders

April 14, 2019

The name of institutional shareholders (Note 1)	The major shareholders of institutional shareholders (Note 2)
Lauer & Sons Corp.	LIU CHUNG-CHI 30%; LIU HSIN-TSU 40%; LIU TSU-KUN 30%

Note 1: Directors or supervisors who is a representative of institutional shareholders should indicate the name of the institutional shareholders.

Note 2: Fill in major shareholders name of institutional shareholders (among the company's 10 largest shareholders) and the total equity stake held. If the major shareholder is an institution, he/she shall complete the following table 2.

Table 2: the major shareholder in Table 1 is an institutional shareholder, whose major shareholders.

April 14, 2019

The name of institution(Note 1)	The major shareholders of institution(Note 2)
not applicable	

Note 1: If the major shareholder in Table 1 is an institution, fill the name of the institution.

Note 2: Fill in major shareholders name of institution (among the company's 10 largest shareholders) and the total equity stake held.

Information on directors and supervisors (II)

April 14, 2019

Name (Note 1)	terms	Have more than five years of work experience And the following professional qualifications		Complied with independence (Note 2)										The number of independe nt directors serving with other public offering companies		
		An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college, or university.	A judge, public prosecutor, certified public accountant, or other professional technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company.	Have work experience in the area of commerce, law, finance or accounting or otherwise necessary for the business of the company.	1	2	3	4	5	6	7	8	9		10	
LIU CHUNG- HSIN			✓									✓		✓	✓	0
Lauer & Sons Corp.(Repres entative: CHEN MING- SHAN)			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓		0	
LIN HONG- CHI		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
LIU HSN- TSU			✓								✓		✓	✓	0	
LEE CHENG- PING			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
LIU I-HSIAO			✓					✓		✓		✓	✓		0	
LIU TSU- KUN			✓							✓		✓	✓		0	
LIU KONG- HSIN			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
LIN YU- SIANG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
LAI WU- LANG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
HU JING- MING			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
CHEN I-TAI			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: The number of fields is adjusted according to the actual number.

Note 2: Each of the directors and supervisors meets the following conditions during the two years prior to the election and during the term of office, please place "✓" in the space below each condition code.

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children or

held by the person under any other's name, in an aggregate amount of 1 percent or more of the total number of issued shares of the company or ranking in the top 10 in shareholding.

- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of issued shares of the company or ranks in the top 5 in shareholding.
- (6) Not a director, supervisor, managerial officer or shareholder holding 5 percent or more of the shares of a specified company or institution that has a financial or business relationship with the company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor or managerial officer of a sole proprietorship, partnership, company or institution that, provides commercial, legal, financial, or accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof. Provided that this restriction does not apply to remuneration committee members performing their official powers under Article 7.
- (8) There is no kinship between the other directors such as a spouse or a second parent.
- (9) There is no situation stated in the Article 30 of the Company Act
- (10) There is no situation stated in the Article 27 of the Company Act where a government agency or a juristic person acts as a shareholder of a company.

(II) Information on the company's general manager, assistant general managers, deputy assistant general managers and the supervisors of all the company's divisions and branch units

April 14, 2019

Title (Note 1)	Country of Citizenship	Name	Gender	Elected Date	Shares Owned		Shares Owned by		Shares Held under		Education & Key Past Positions (Note 2)	Positions Held Concurrently	Related to President, Executive Vice Presidents and		
					No. of Shares	Shares Owned	No. of Shares	Shares Owned	No. of Shares	Shares Owned			Title	Name	Nature of
General Manager	Republic of China	LIU I- HSIAO	Female	2015.6.1	9,478,609	9.09%	0	0%	0	0%	MBA, University of Houston	None	None	None	None
Production Center Chairman	Republic of China	LIU HSIN- TSU	Male	2011.5.16	9,362,400	8.98%	0	0%	0	0%	Takushoku University Department of Mechanical Systems Engineering	Director, Lauer & Sons Corp.	Executive director of sales center	LIU TSU- KUN	siblings
Executive Director of SalesCenter	Singapore	LIU TSU- KUN	Male	2016.1.1	5,308,560	5.09%	0	0%	0	0%	Duquesne University International Business Department	Director, Lauer & Sons Corp.	Production Center Chairman	LIU HSIN- TSU	siblings
Assistant general managers and supervisor of finance and accounting department (Note 3)	Republic of China	CHEN YUNG- LUNG	Male	2016.1.1	0	0%	8,000	0%	0	0%	Department of Accounting, Fu Jen Catholic University AVP of PwC Taiwan Finance V department supervisor,	Member of remuneration committee, B'in Live Co., Ltd.	None	None	None
Accounting supervisor	Republic of China	LIN YI- TING	Female	2019.1.1	0	0%	0	0%	0	0%	Department of Accounting, National Changhua University of Education Management specialist, Accounting specialist, E. Sun Bank	None	None	None	None

Note 1: Should include information on the company's general manager, assistant general managers, deputy assistant general managers and the supervisors of all the company's divisions and branch units and where the position is equivalent to the general manager, assistant general managers, and deputy assistant general managers, regardless of the title, should also be disclosed.

Note 2: Experience related to current position. If he/she has worked in the certified public accountant firm or a related company during the previous period, it shall state the title and responsible position.

Note 3: The assistant general managers and supervisor of finance & accounting department Chen Yunglong, was promoted to Keysheen Vietnam Ltd. as CEO on January 1, 2019. The supervisor of accounting is the assistant manager LIN YI-TING; the supervisor of financial is temporarily represented by the general manager of LIU I-HSIAO.

III. Remuneration paid during the most recent fiscal year to directors, supervisors, the general manager, and assistant general managers

(I) Remuneration of directors (including independent directors)

In Thousands of New Taiwan Dollars

Title	Name	Remunerations of Directors								The aggregate of A,B,C, and D as percentage of net income(Note 10)		Relevant Remuneration Received by Directors Who are also Employees								The aggregate of A, B, C, D, E, F and G as percentage of net income(Note 10)		Any Other Compen sations from Other Investes (Note 11)	
		Base Compensation(A) (Note 2)		Retirement and Resignation(B)		Director Compensation (C) (Note 3)		Business-conducting expenses(Note 4)				Salaries, Bonuses and Special Allowances (Note 5)		Retirement and Resignation(F)		Employees' Compensation(G) (Note 6)							
		The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company		All Consolidated Entities (Note 7)		The Company	All Consolidated Entities (Note 7)				
														Cash Dividends	Stock Dividends	Cash Dividends	Stock Dividends						
Chairman	LIU CHUNG-HSIN	0	0	0	0	0	0	0	30	0	-0.06%	0	3,660	0	0	0	0	0	0	0	0	-7.33%	None
Institution Director	Lauer & Sons Corp.	0	0	0	0	0	0	0	30	0	-0.06%	0	0	0	0	0	0	0	0	0	0	-0.06%	None
	CHEN MING-SHAN																						
Director	LIN HONG-CHI	0	0	0	0	0	0	0	25	0	-0.05%	0	0	0	0	0	0	0	0	0	0	-0.05%	None
Director	LIU HSIN-TSU	0	0	0	0	0	0	0	25	0	-0.05%	0	5,460	0	0	0	0	0	0	0	0	-10.90%	None
Director	LEE CHENG-PING	0	0	0	0	0	0	0	20	0	-0.04%	0	0	0	0	0	0	0	0	0	0	-0.04%	None
Director	LIU I-HSIAO	0	0	0	0	0	0	0	30	0	-0.06%	0	3,033	0	83	0	0	0	0	0	0	-6.25%	None
Director	LIU TSU-KUN	0	0	0	0	0	0	0	30	0	-0.06%	0	5,340	0	0	0	0	0	0	0	0	-10.67%	None
Independent Director	LIU KONG-HSIN	0	720	0	0	0	0	0	25	0	-1.48%	0	0	0	0	0	0	0	0	0	0	-1.48%	None
Independent Director	LIN YU-SIANG	0	720	0	0	0	0	0	25	0	-1.48%	0	0	0	0	0	0	0	0	0	0	-1.48%	None

In addition to the table above, in the most recent fiscal year, directors who received compensation for providing services including acting in non-employee advisor capacity were paid: 0

Note 1: If any of the following applies to the company, it shall disclose the name and remuneration paid to each individual director and supervisor, otherwise it may opt either to disclose aggregate remuneration information, with the name(s) indicated for each remuneration range or to disclose the name of each individual and the corresponding remuneration amount (for individual disclosures, please fill in the title, name, and amount separately and no need to fill in the remuneration scale.):

- (I) A company that has posted after-tax deficits in the financial reports within the two most recent fiscal years shall disclose the remuneration paid to individual directors and supervisors. This requirement, however, shall not apply if the company has posted net income after tax in the financial report for the most recent fiscal year and such net income after tax is sufficient to offset the accumulated deficits. Those who have adopted IFRS, the company that has posted after-tax deficits in the parent company only financial reports or individual financial reports within the two most recent fiscal years shall disclose the remuneration paid to individual directors and supervisors. This requirement, however, shall not apply if the company has posted net income after tax in the parent company only financial report or individual financial report for the most recent fiscal year and such net income after tax is sufficient to offset the accumulated deficits.
- (II) A company that has had an insufficient director shareholding percentage for 3 consecutive months or longer during the most recent fiscal year shall disclose the remuneration of individual directors; one that has had an insufficient supervisor shareholding percentage for 3 consecutive months or more during the most recent fiscal year shall disclose the remuneration of individual supervisors.
- (III) A company that has had an average ratio of share pledging by directors or supervisors in excess of 50 percent in any 3 months during the most recent fiscal year shall disclose the remuneration paid to each individual director or supervisor having a ratio of pledged shares in excess of 50 percent for each such month.
- (IV) If the total amount of remuneration received by all of the directors and supervisors in their capacity as directors or supervisors of all of the companies listed in the financial reports exceeds 2 percent of the net income after tax, and the remuneration received by any individual director or supervisor exceeds NT\$15 million, the company shall disclose the remuneration paid to that individual director or supervisor.

Note 2: Refers to 2018 remuneration of directors (including base compensation, special allowances, remuneration of resignation, bonuses etc.).

Note 3: Fill in amount of 2018 directors' remuneration approved by the board of directors.

Note 4: Refers to 2018 business-conducting expenses of directors (including transportation, special allowances, various allowances, housing, company cars, etc.) In case of the offer of housing, vehicle, and other transportation or exclusive individuals, the nature and cost of the assets provided, the actual or at a fair market price, rent, oil and other payments should be disclosed. If there is a driver, please note the company's payment for the driver, but not included in the remuneration.

Note 5: Refers to relevant remuneration in 2018 received by directors who are also employees (including general manager, assistant general managers, other managers and staff), the remuneration including base compensation, special allowances, remuneration of resignation, bonuses, transportation, special allowances, various allowances, housing, company cars, etc. In case of the offer of housing, vehicle, and other transportation or exclusive individuals, the nature and cost of the assets provided, the actual or at a fair market price, rent, oil and other payments should be disclosed. If there is a driver, please note the company's payment for the driver, but not included in the remuneration. The salary expenses recognized in accordance with IFRS2 "Share-based Payment" including obtaining employee stock warrants, new restricted employee shares, and participating in cash injection subscription shares, shall also be included in the remuneration.

Note 6: Refers to relevant remuneration (stock and cash) in 2018 received by directors who are also employees (including general manager, assistant general managers, other managers, and staff), it needs to be disclosed that the amount of compensation approved by the board of directors in 2018, if it may not be estimated, the estimated amount of the year will be calculated based on the proportion of the actual distribution amount last year, and Table 1-3 should be completed.

Note 7: It needs to be disclosed that the total remuneration of the directors (including the Company) paid by companies in the consolidated financial statements.

Note 8: The total remuneration of the directors paid by companies has exposed the name of the director in the class of ownership.

Note 9: The total remuneration of the directors (including the Company) paid by companies in the consolidated financial statements has exposed the name of the director in the class of ownership.

Note 10: Net income means after-tax income in 2018 and the Company's after-tax loss was NTD50.317 million.

Note 11: a. The column should fill out the amount of other compensations from other investees for the directors.

b. If there exists other compensations from other investees for the directors, the amount in field "Other compensations from other investees" needs to merge to field "I" and

rename the field to “All investees.”

c. Remuneration refers to other compensations from other investees for the directors as directors, supervisors, or managers (including remuneration of staff, directors and supervisors) and business-conducting expenses.

*The content of the remuneration disclosed in the form is different from the income concept of the Income Tax Act. Therefore, the purpose of this form is for information disclosure and not for tax purposes.

(II) Remuneration of supervisors

In Thousands of New Taiwan Dollars

Title	Name	remuneration of supervisors						The aggregate of A,B, and C as percentage of net income (Note 8)		Any Other Compensations from Other Investees (Note 9)
		Base Compensation(A) (Note 2)		Compensation (Note 3)		business-conducting expenses (C) (Note 4)				
		The Company	All Consolidated Entities (Note 5)	The Company	All Consolidated Entities (Note 5)	The Company	All Consolidated Entities (Note 5)	The Company	All Consolidated Entities (Note 5)	
Supervisor	LAI WU-LANG	0	0	0	0	0	25	0	-0.05%	None
Supervisor	HU JING-MING	0	0	0	0	0	30	0	-0.06%	None
Supervisor	CHEN I-TAI	0	0	0	0	0	30	0	-0.06%	None

Note 1: If any of the following applies to the company, it shall disclose the name and remuneration paid to each individual director and supervisor, otherwise may opt either to disclose aggregate remuneration information, with the name(s) indicated for each remuneration range, or to disclose the name of each individual and the corresponding remuneration amount (for individual disclosures, please fill in the title, name, and amount separately and no need to fill in the remuneration scale.):

- (I) A company that has posted after-tax deficits in the financial reports within the two most recent fiscal years shall disclose the remuneration paid to individual directors and supervisors. This requirement, however, shall not apply if the company has posted net income after tax in the financial report for the most recent fiscal year and such net income after tax is sufficient to offset the accumulated deficits. Those who have adopted IFRS, the company that has posted after-tax deficits in the parent company only financial reports or individual financial reports within the two most recent fiscal years shall disclose the remuneration paid to individual directors and supervisors. This requirement, however, shall not apply if the company has posted net income after tax in the parent company only financial report or individual financial report for the most recent fiscal year and such net income after tax is sufficient to offset the accumulated deficits.
- (II) A company that has had an insufficient director shareholding percentage for 3 consecutive months or longer during the most recent fiscal year shall disclose the remuneration of individual directors; one that has had an insufficient supervisor shareholding percentage for 3 consecutive months or more during the most recent fiscal year shall disclose the remuneration of individual supervisors.
- (III) A company that has had an average ratio of share pledging by directors or supervisors in excess of 50 percent in any 3 months during the most recent fiscal year shall disclose the remuneration paid to each individual director or supervisor having a ratio of pledged shares in excess of 50 percent for each such month.
- (IV) If the total amount of remuneration received by all of the directors and supervisors in their capacity as directors or supervisors of all of the companies listed in the financial reports exceeds 2 percent of the net income after tax, and the remuneration received by any individual director or supervisor exceeds NT\$15 million, the company shall disclose the remuneration paid to that individual director or supervisor.

Note 2: Refers to 2018 remuneration of supervisors (including base compensation, special allowances, remuneration of resignation, bonuses etc.).

Note 3: Fill in amount of 2018 supervisors' remuneration approved by the board of directors.

Note 4: Refers to 2018 business-conducting expenses of supervisors (including transportation, special allowances, various allowances, housing, company cars, etc.) In case of the offer of housing, vehicle, and other transportation or exclusive individuals, the nature and cost of the assets provided, the actual or at a fair market price, rent, oil and other payments should be disclosed. If there is a driver, please note the company's payment for the driver, but not included in the remuneration.

Note 5: It needs to be disclosed that the total remuneration of the supervisors (including the Company) paid by companies in the consolidated financial statements.

Note 6: The total remuneration of the supervisors paid by companies has exposed the name of the supervisors in the class of ownership.

Note 7: The total remuneration of the supervisors (including the Company) paid by companies in the consolidated financial statements has exposed the name of the supervisor in the class of ownership.

Note 8: Net income means after-tax income in 2018 and the Company's after-tax loss was NTD50.317 million.

Note 9: a. The column should fill out the amount of other compensations from other investees for the supervisors.

b. If there existed other compensations from other investees for the supervisors, the amount in field "Other compensations from other investees" needs to merge to field "D," and rename the field to "All investees."

c. Remuneration refers to other compensations from other investees for the supervisors as directors, supervisors, or managers (including remuneration of staff, directors and supervisors) and business-conducting expenses.

*The content of the remuneration disclosed in the form is different from the income concept of the Income Tax Act. Therefore, the purpose of this form is for information disclosure and not for tax purposes.

(III) Remuneration of general manager and assistant general managers

(1) remuneration of general manager and assistant general managers

In Thousands of New Taiwan Dollars

Title	Name	Salaries, (Note 2)		Retirement and Resignation(B)		Bonuses and Special Allowances, etc. (Note 3)		Salaries and wages amount (Note 4)				The aggregate of A, B, C, and D as percentage of net income (%) (Note 8)		Any Other Compens ations from Other Investees (Note 9)
		The Com pany	All Consolidated Entities (Note 5)	The Com pany	All Consolidate d Entities (Note 5)	The Com pany	All Consolidated Entities (Note 5)	The Company		All Consolidated Entities (Note 5)		The Compa ny	All Consolidated Entities (Note 5)	
								Cash Amou nt	Stock Amoun t	Cash Amount	Stock Amount			
General manager	LIU I-HSIAO													
Production Center Chairman	LIU HSIN-TSU													
Executive director of sales center	LIU TSU-KUN	0	16,157	0	174	0	883	0	0	0	0	0	-34.21%	None
Assistant general managers	CHEN YUNG- LUNG													

Where the position is equivalent to the general manager, assistant general managers and deputy assistant general managers, regardless of the title, should also be disclosed.

The remuneration scale

The payment remuneration scale of general manager and assistant general managers	name of the general manager and assistant general managers	
	The Company (Note 6)	All Consolidated Entities (Note 7)E
Less than 2,000,000	-	-
2,000,000 (inclusive) ~ 5,000,000 (not included)	-	Two people of LIU I-HSIAO and CHEN YUNG-LUNG
5,000,000 (inclusive) ~ 10,000,000 (not included)	-	Two people of LIU HSIN-TSU and LIU TSU-KUN
10,000,000 (inclusive) ~ 15,000,000 (not included)	-	-
15,000,000 (inclusive) ~ 30,000,000 (not included)	-	-
30,000,000 (inclusive) ~ 50,000,000 (not included)	-	-
50,000,000 (inclusive) ~ 100,000,000 (not included)	-	-
Above 100,000,000	-	-
Total	-	4 people

Note 1: List names of the general manager and assistant general managers and the amount of each payment is disclosed in a summary manner. If the director is also the general manager or assistant general manager, this table and the above table should be filled out(1-1) or (1-2).

Note 2: Refers to relevant base compensation, special allowances, and remuneration of resignation in 2018 received by the general manager and assistant general managers.

Note 3: Refers to relevant bonuses, transportation, special allowances, various allowances, housing, company cars, and other remuneration in 2018 received by the general manager and assistant general managers. In case of the offer of housing, vehicle, and other transportation or exclusive individuals, the nature and cost of the assets provided, the actual or at a fair market price, rent, oil and other payments should be disclosed. If there is a driver, please note the company's payment for the driver, but not included in the remuneration. The salary expenses recognized in accordance with IFRS2 "Share-based Payment" including obtaining employee stock warrants, new restricted employee shares, and participating in cash injection subscription shares, shall also be included in the remuneration.

Note 4: Refers to relevant remuneration (stock and cash) in 2018 received by the general manager and assistant general managers, it needs to be disclosed that the amount of compensation approved by the board of directors in 2018, if it may not be estimated, the estimated amount of the year will be calculated based on the proportion of the actual distribution amount last year, and the Table 1-3 should be completed. Net income means after-tax income in 2018.

Note 5: It needs to be disclosed that the total remuneration of the general manager and assistant general managers (including the Company) paid by companies in the consolidated financial statements.

Note 6: The total remuneration of the supervisors paid by companies has exposed the name of the general manager and assistant general managers in the class of ownership.

Note 7: The total remuneration of the general manager and assistant general managers (including the Company) paid by companies in the consolidated financial statements has exposed the name in the class of ownership.

Note 8: Net income means after-tax income in 2018 and the Company's after-tax loss was NTD50.317 million.

Note 9: a. The column should fill out the amount of other compensations from other investees for the general manager and assistant general managers.

b. If there exists other compensations from other investees for the general manager and assistant general managers, the amount in field "Other compensations from other investees" needs to merge to field "E," and rename the field to "All investees."

c. Remuneration refers to other compensations from other investees for the general manager and assistant general managers as directors, supervisors, or managers (including remuneration of staff, directors and supervisors) and business-conducting expenses.

*The content of the remuneration disclosed in the form is different from the income concept of the Income Tax Act. Therefore, the purpose of this form is for information disclosure and not for tax E

(2) Name of managers who distributed employee compensation and distribution
March 13, 2019

	Title (Note 1)	Name (Note 1)	Stock Dividends NTD	cash amount NTD	Total NTD	The aggregate amount as percentage of net income (%)
Manager	General manager	LIU I-HSIAO	0 dollar	0 thousand dollars	0 thousand dollars	0%
	Production Center Chairman	LIU HSIN- TSU				
	Executive director of sales center	LIU TSU- KUN				
	Assistant general managers	CHEN YUNG- LUNG				

Note 1: List each name and title and the amount of each payment may be disclosed in a summary manner.

Note 2: Refers to relevant remuneration (stock and cash) in 2018 received by managers, it needs to be disclosed that the amount of compensation approved by the board of directors in 2018, if it may not be estimated, the estimated amount of the year will be calculated based on the proportion of the actual distribution amount last year. Net income means after-tax income in 2018.

Note 3: According to FSC TaiTsaiChengSanJi 0920001301 on March 27, 2003, the scope of managers is as follow:

- (1) General manager and equivalent
- (2) Assistant general managers and equivalent
- (3) Deputy assistant general managers and equivalent
- (4) Supervisor of finance department
- (5) Supervisor of accounting department
- (6) Other people who have the right to manage affairs and with signing authority.

Note 4: Refers to the relevant remuneration (stock and cash) received by directors, general manager, and assistant general managers, need to fill Table 1-2 and this Table.

(IV) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration and its linkage to operating performance and future risk exposure.

1. Total remuneration, as a percentage of net income during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers:

fiscal year	In Thousands of New Taiwan Dollars			
	Total remuneration has paid to directors, supervisors, general managers, and assistant general managers.		The aggregate amount as percentage of net income	
	The Company	companies in consolidated financial statements	The Company	companies in consolidated financial statements
2017	0	23,241	0	51.58%
2018	0	22,465	0	-44.65%

Note: The remuneration including transportation, base compensation, salaries, bonuses and employees' compensation.

2. The remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

- (1) The remuneration of the directors, the independent directors, and the supervisors are issued in

accordance with the proportions of the company's articles of association and the overall value of their positions in the company and the level of participation and contribution to the company's operations.

Articles of association 129. (C) If the company makes a profit at the end of the fiscal year; it pays no more than 3.5% for directors and supervisors; with cash only. The remuneration of the directors, the independent directors and the supervisors are reviewed by the remuneration committee and approved by the board of directors, which reviewed at any time and in accordance with the actual operating conditions and relevant laws and regulations.

(2) The remuneration of general manager and assistant general managers are based on the position, contribution to the company and reference to peers, in accordance with the personnel rules of the company.

(3) The remuneration of the directors, the supervisors, and managers are reviewed by the remuneration committee and approved by the board of directors.

IV. The state of the company's implementation of corporate governance

(I) Operations of the Board of Directors

6(A) Board meetings were held during 2018, the attendances of Board members are as follows:

Title	Name(Note 1)	Attendance in Person B	Attendance by Proxy	Attendance Rate (%) [B/A] (Note 2)	Note
Chairman	LIU CHUNG-HSIN	6	0	100%	
Director	Lauer & Sons Corp. Representative: CHEN MING-SHAN	6	0	100%	
Director	LIU HSIN-TSU	5	0	83%	
Director	LIN HONG-CHI	5	0	83%	
Director	LEE CHENG-PING	4	0	67%	
Director	LIU I-HSIAO	6	0	100%	
Director	LIU TSU-KUN	6	0	100%	
Independent Director	LIU KONG-HSIN	5	0	83%	
Independent Director	LIN YU-SIANG	5	1	83%	
Supervisor	LAI WU-LANG	5	0	83%	
Supervisor	HU JING-MING	6	0	100%	
Supervisor	CHEN I-TAI	6	0	100%	

Other issues to be noted:

(1) The operations of the board of directors shall state the date, period, content of the proposal, the opinions of all independent directors and the company's responses on the independent directors if any of the following circumstances occurs:

(I) There are currently no issues opposed by independent directors as outlined in Article 14-3 of the Securities Transaction Law.

(II) In addition to the previous matters, other board matters where any independent director expresses dissent or abstention and it is contained in the minutes or a written statement: none, there is no director expresses dissent or abstention in the year.

(2) Events that any director has to avoid voting because of conflict of interests:

1. On May 29, 2018, the Board of Directors discussed the compensation of the directors and supervisors for 2017. Individual directors have refrained from voting the parts regarding themselves and the remaining presented board members.

2. On May 29, 2018, the Board of Directors discussed the compensation of the managers for 2017.

<p>Directors - Ms. LIU I-HSIAO and Mr. LIU TSU-KUN, who are concurrently the managers of the Company, refrained from discussion and voting in this case.</p> <p>3. On December 20, 2018, the Board of Directors discussed the compensation of the directors and supervisors for 2019. Independent directors - Mr. LIU KONG-HSIN and Mr. LIN YU-SIANG, who have refrained from discussion and voting.</p> <p>4. On December 20, 2018, the Board of Directors discussed the compensation of the managers for 2019. Directors - Mr. LIU HSIN-TSU and Ms. LIU I-HSIAO, and Mr. LIU TSU-KUN, who have refrained from discussion and voting.</p> <p>(3) Goals of strengthening the functions of the Board for the current year and the most recent year:</p>	
strengthening the functional goals of the Board	Execution status assessment
Complete board structure	To strengthen and enhance the functions of the Board, the Company has established the "Corporate Governance Best Practice Principles;" standardized the diversity of the board of directors and the professional skills required and elected a female board member at the shareholders' meeting on June 16, 2017.
Evaluated the external auditors' independence regularly.	The Company evaluated the external auditors' independence and suitability on yearly basis and the Company has received the Confirmation of independence from the auditors. The Company's assessment of external auditors' and the Company has no other financial interests and business relationships, and their family members do not violate independence.
Enhance professional knowledge	The annual training hours of the directors of the company are in compliance with the regulations of the competent authority. The company shall integrate all resources for corporate governance, and establish continuing education for directors and supervisors, so that they can have easy access to relevant information, and maintain their core values and professional edge and ability.

Note 1: Directors or supervisors who is a representative of the institutional shareholders should indicate the name of the institutional shareholders and the name of the representative.

Note 2: (1) For those who have left the Board before the end of the fiscal year, the resignation date should be specified in the remarks column. The attendance rate (%) will be calculated based the attendance in person count during their term.

(2) Before end of the year, if there is a re-election of the supervisors or the directors, list the previous ones and new ones, and marks in the remarks column indicate status of terms of previous, new, or re-elected and re-elected. The attendance rate (%) is calculated based on the number of meetings of the board of directors during their term and the attendance in person count.

(II) The state of operations of the audit committee or the state of participation in board meetings by the supervisors

1. The state of operations of the audit committee: not applicable.(there is no audit committee in the Company)

2. The state of participation in board meetings by the supervisors:

6 (A) board meetings were held during 2018, the attendances of Board members are as follows:

Title	Name	Attendance in Person (B)	Attendance Rate (%) (B/A) (Note)	Note
Supervisor	LAI WU-LANG	5	83%	
Supervisor	HU JING-MING	6	100%	
Supervisor	CHEN I-TAI	6	100%	

Other issues to be noted:

I. Composition and Responsibilities of the Supervisors:

1. Communication between supervisors and company employees and shareholders: The company has a special person who can contact the supervisor at any time to establish a communication channel with the company's employees and shareholders.
2. Communication between supervisors and internal auditor supervisor and external auditor:
The auditing unit of the Company regularly provides audit reports to the board of directors and management, and delivers or informs the supervisors in accordance with regulations to implement the supervision mechanism. The implementation of the company's internal control system is in compliance with the regulations and continues to track operations. When the company convenes the board meeting, if the supervisors who attend the meeting have any opinions, they can communicate and discuss. If any major violations are discovered or the company has major damages, the relevant personnel will immediately make a report to the supervisors. The external auditor may report directly to the supervisor without the management.

II. The resolution of the board of directors shall state the date, period, content of the proposal, the opinions of all supervisors, and the company's responses on the supervisors if there is any opinion of supervisor occurs: there is no opinion of supervisor occurs.

Note:

*For those who have left the Board before the end of the fiscal year, the resignation date should be specified in the remarks column. The attendance rate (%) will be calculated based the attendance in person count during their term.

*Before the end of the year, if there is a re-election of the supervisors, list the previous ones and new ones, and marks in the remarks column indicate status of terms of previous, new, or re-elected and re-elected. The attendance rate (%) is calculated based on the number of meetings of the board of directors during their term and the attendance in person count.

(III) The state of the company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies, and the reason for any such departure

evaluation items	Status of Operation (Note)			Divergence from Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies and reasons
	Yes	No	Summary Explanation	
I. Has the company formulated Corporate Governance Best Practice Principles according to Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies?	✓		To enhance efficient corporate governance infrastructure, protect the rights and interests of shareholders, strengthen the powers of the board of directors, respect the rights and interests of stakeholders and enhance information transparency, the Company has established the “Corporate Governance Practice Principles.” It is disclosed in MOPS and placed under the “Corporate Governance” of the company's website investor area for shareholders' enquiries.	It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies.
II. Shareholding Structure and Shareholders' Rights of the Company				
(I) Has the Company stipulated internal operating procedures or policies to handle shareholder suggestions, doubts disputes and lawsuits and implemented such procedures or policies?	✓		(I) The company has engaged a professional shareholder services agent to handle shareholders matters in Taiwan. And the company has designated the spokesperson and acting spokesperson(s) exclusively dedicated to handling shareholder proposals. The Company has established a website of a stakeholder area with contact information, to ensure that feedback and shareholders concerns are considered and processed accordingly.	(I) It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies.
(II) Does the Company possess a list of major shareholders and list of ultimate owners of these major shareholders?	✓		(II) According to Article 25 of the Securities and Exchange Act, a report on MOPS with the issuer of the changes in the number of shares, held by its directors, supervisors, managerial officers, and shareholders holding more than ten percent of the total shares of the company held during the preceding month.	(II) It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies.
(III) Has the Company established and implemented risk management mechanisms and setup a "firewall" between the Company and its affiliated enterprises?	✓		(III) The Company has established policies of “Rules for governing the relevant financial and business operations between the company and its affiliated enterprises,” “Internal control system for monitoring and supervising subsidiaries,” the procedures for acquisition or disposal of assets for subsidiaries, the procedures for endorsement and guarantee, and the procedures for lending funds to other parties, and properly carry out risk assessments and establish appropriate firewalls for the company and its	(III) It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies.

evaluation items	Status of Operation (Note)			Divergence from Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies and reasons
	Yes	No	Summary Explanation	
(IV) Has the Company adopted internal rules prohibiting company insiders from trading securities using information not disclosed to the market?	✓		<p>affiliated enterprises according to the law.</p> <p>(IV) The Company has established the “Rules on the prevention of insider trading” in prohibiting company insiders from trading securities using information not disclosed to the market.</p>	(IV) It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies.
<p>III. Composition and Responsibilities of the Board of Directors</p> <p>(I) Is the composition of the board of directors determined by taking appropriate policy based on diversity and ensure the actual implementation?</p> <p>(II) In addition to the Compensation Committee and Audit Committee, has the Company established other functional committees voluntarily?</p> <p>(III) Does the company formulate rules and procedures for the board of directors’ performance assessments and do they conduct regularly scheduled performance assessments</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The company has formulated “Corporate Governance Best Practice Principles,” where in Chapter 3 ”Enhancing the Functions of the Board of Directors” has stated a policy based on diversity. The candidate nomination and election of directors shall be conducted in accordance with articles of association and “Rules for election of Directors and Supervisor” to ensure the policy on diversity and independence. There are a total of 9 directors of the company currently. 33% of the directors are staff, the independent directors account for 22%, and the female directors account for 11%. The two independent directors have been on board for 8 years. Each director has a variety of professional backgrounds and working areas to implement the policy of diversifying the structure of the board of directors and the related professional backgrounds described as Note 1.</p> <p>(II) The company has formulated a Compensation Committee, and will establish other functional committees as needed.</p> <p>(III) The company does not formulate rules and procedures for the board of directors’ performance assessments. It will be formulated according to the related law by the competent authority next year.</p>	<p>(I) It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies.</p> <p>(II) It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies.</p> <p>(III) It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice</p>

evaluation items	Status of Operation (Note)			Divergence from Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies and reasons
	Yes	No	Summary Explanation	
of the board of directors? (IV) Has the company evaluated the external auditors' independence regularly?	✓		(IV) The Company evaluated the external auditors' independence on a yearly basis. The Company's assessment of external auditors' finance and accounting department, that auditor KUO NAI-HUA and LEE LI-HUANG of Deloitte and Touche Taipei, Taiwan have complied with the independence standard (Note 2). And the result has been approved by the Board meeting on March 13, 2019.	Principles for TWSE/OTC Listed Companies. (IV) It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies.
IV. Has the Company established corporate governance (part-time) unit, or personnel that are responsible for corporate governance matters (including but not limited to, furnishing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders meetings according to laws, applying for registration of incorporation or alteration, producing minutes of board meetings and shareholders meetings)?		✓	The Company has not established corporate governance (part-time) unit, the general manager's office is in charging the related matters of protect the rights and interests of shareholders, strengthen the powers of the board of directors, and the major responsibility is furnishing the information required for business execution by directors and supervisors. 1. Applying for registration of incorporation or alteration 2. Handling matters relating to board meetings and shareholders meetings. 3. Producing minutes of board meetings and shareholders meetings 4. Assisting in on-boarding and continuous development of directors and supervisors 5. Furnishing information required for business execution by directors and supervisors 6. Assisting directors and supervisors with legal compliance 7. Other matters set out in the articles or corporation or contracts	It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies.

evaluation items	Status of Operation (Note)			Divergence from Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies and reasons
	Yes	No	Summary Explanation	
V. Has the Company established communication channel with stakeholders (including but not limited to shareholders, staff, customers, and suppliers), and designated a stakeholders' section on its website, and properly reply to the corporate social responsibility issues raised by the stakeholders?	✓		<p>The Company has established a website of a stakeholder area in "Investor" with contact information, to ensure feedback of the stakeholder concerns are processed accordingly.</p> <p>1. Shareholders: (1) The company convene a shareholder meeting every year, and the proposal is voted on a case-by-case basis. Shareholders can exercise voting rights electronically and fully participate in the voting process. (2) Monthly revenue and self-closing profit and loss are announced on MOPS and the company website.</p> <p>2. Staff: There are staff meeting held monthly. There are labor unions in Shanghai companies and Vietnamese companies. The important matters are fully coordinated and communicated by both parties.</p> <p>3. Customers: The company communicates with customers for the customer complaints promptly, understands customer needs, promotes the interaction between the company and customers, and regularly reviews and improves at the production and sales meetings and quality control meetings.</p> <p>4. Suppliers: The procurement personnel, after consulting, comparing, and negotiating with a number of suppliers, determine the unit price, specifications, payment terms, delivery date, product, and service quality or other materials. The company has established long-term close relationships, mutual trust and mutual benefit with suppliers to pursuit of sustainable win-win growth.</p>	It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies.
VI. Has the company engaged a professional shareholder services agent to handle shareholders matters?	✓		The company engages a professional shareholder services agent, the Brokerage Registry and Transfer Services Department of Mega Securities Co., Ltd. to handle shareholders matters in Taiwan.	It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies.

evaluation items	Status of Operation (Note)			Divergence from Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies and reasons
	Yes	No	Summary Explanation	
<p>VII. Information Disclosure</p> <p>(I) Has the Company established a corporate website to disclose information regarding the company's financials, business and corporate governance status?</p> <p>(II) Has the Company established any other information disclosure channels (e.g. maintaining a website in English, designating people to handle information collection and disclosure, appointing spokespersons, webcasting investors' conference, etc.)?</p>	<p>✓</p> <p>✓</p>		<p>(I) The Company has set up a website to disclose company information including financial updates, business operations etc. and has designated personnel in charge of updating.</p> <p>(II) 1. The Company has set up Chinese websites but not in English. The implementation of a spokesman's system is also well executed and has designated personnel in charge of collecting and disclosing information. All company information including financial updates and business operations will be disclosed via spokesman system. 2. The materials and webcasting of investors' conference have been on the Company's website with designated personnel in charge of updating.</p>	<p>(I) It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies.</p> <p>(II) It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies; however, the English website of the company's website "Investor" has not been set up.</p>
<p>VIII. Has the Company provided any other material information that may assist in the understanding of corporate governance of the Company. (including but not limited to employee rights, care for colleagues, investor relations stakeholder related rights, board and supervisor training, risk management and risk evaluation standards, execution of customer service and policies, participation in liability insurance of directors and supervisors, etc.)</p>	<p>✓</p>		<p>(I) Employee rights and care for colleagues: All the prescribed measures of the company concerning labor relations are in accordance with relevant laws and regulations. And set up employee suggestion box and other feedback channels, any new or revised measures related to labor relations will be finalized after the labor and management have fully agreed with communication, in order to achieve a win-win situation.</p> <p>(II) Investor relations: The company convenes a shareholder meeting every year, and offers shareholders with questions and time for proposals. The spokesperson and other dedicated personnel will properly handle shareholder suggestions, doubts and disputes. The company handles relevant information announcements in accordance with the regulations of the competent authority of listing, and immediately provides information that may affect the decision of investors.</p> <p>(III) Suppliers relations:</p>	<p>It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies.</p>

evaluation items	Status of Operation (Note)			Divergence from Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies and reasons
	Yes	No	Summary Explanation	
			<p>The procurement personnel, after consulting, comparing, and negotiating with a number of suppliers, determine the unit price, specifications, payment terms, delivery date, product, and service quality or other materials. The company has established long-term close relationships, mutual trust and mutual benefit with suppliers to pursuit of sustainable win-win growth.</p> <p>(IV) The rights regarding stakeholders: The Company established communication channel with banks, staff, customers, and suppliers with respective and maintaining their rights. The Company established a website of a stakeholder area in "Investor," to offer investors and stakeholder with highly transparent financial information.</p>	

evaluation items		Status of Operation (Note)			Divergence from Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies and reasons
		Yes	No	Summary Explanation	
(V) Board and supervisor continuing education status:					
Title	Name	continuing education date	Organizer	class title	continuing education hour
Director	LIU CHUN G-HSIN	September 28, 2018	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Management Workshop	3 hours
		December 4, 2018	Taiwan Corporate Governance Association	Updates and Practice of Governing Anti-Money Laundering and Countering the Financing of Terrorism- and the Supervision Focus of Overseas Branches	3 hours
	CHEN MING-SHAN	July 27, 2018	Taiwan Corporate Governance Association	Tax issues of before and post corporate mergers and acquisitions	3 hours
		September 19, 2018	Taiwan Corporate Governance Association	XIV International Forum of Corporate Governance - Directors' Obligations of Compliance and Supervising	3 hours
	LIU HSIN-TSU	December 19, 2018	Securities and Futures Institute	Corporate Governance and Operation of the Board of Directors	3 hours
		December 19, 2018	Securities and Futures Institute	Tips for directors and supervisors to interpret financial information	3 hours
	LIN HONG-CHI	August 9, 2018	The National Federation of CPA Associations of the R.O.C.	Latest revision trend and analysis of company law	3 hours
		September 21, 2018	The National Federation of CPA Associations of the R.O.C.	Legal liability and risk management of independent directors	3 hours
		October 3, 2018	The National Federation of CPA Associations of the R.O.C.	How do CPAs respond to the Governing Anti-Money Laundering Act	3 hours
	LEE CHENG-PING	August 10, 2018	Taiwan Corporate Governance Association	Trade secret and non-compete clause	3 hours
		October 24, 2018	Taiwan Corporate Governance Association	Responsibility Risk of Directors and Supervisor Seminar	3 hours
	LIU I-HSIAO	April 11, 2018	Taiwan Academy of Banking and Finance	Forum of Corporate Governance- Heritage of Family Business	3 hours
		September 28, 2018	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Management Workshop	3 hours

evaluation items			Status of Operation (Note)			Divergence from Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies and reasons
			Yes	No	Summary Explanation	
	LIU TSU- KUN	December 19, 2018	Securities and Futures Institute	Corporate Governance and Operation of the Board of Directors	3 hours	
		December 19, 2018	Securities and Futures Institute	Tips for directors and supervisors to interpret financial information	3 hours	
Indepen dent Director	LIU KONG- HSIN	May 10, 2018	Taiwan Corporate Governance Association	Common tax disputes in corporate mergers and acquisitions	3 hours	
		November 13, 2018	Taiwan Corporate Governance Association	The impact of the newly revised Company Act on board decisions	3 hours	
	LIN YU- SIANG	July 13, 2018	Taiwan Corporate Governance Association	How do directors fulfill their loyalty obligations (including judgment analysis and best practice)	3 hours	
		July 20, 2018	Taiwan Corporate Governance Association	Enterprise internal control and risk management- 2018 the world's top ten risk analysis	3 hours	
Supervis or	LAI WU- LANG	May 8, 2018	The Taiwan Stock Exchange	Listed company's new corporate governance blueprint summit forum	3 hours	
		September 19, 2018	Taiwan Corporate Governance Association	XIV International Forum of Corporate Governance - Directors' Obligations of Compliance and Supervising	3 hours	
	HU JING- MING	March 23, 2018	Taiwan Corporate Governance Association	The global and cross-strait anti-tax avoidance policies and measures	3 hours	
		August 3, 2018	Taiwan Corporate Governance Association	In the rapidly changing environment of science and technology, how do the directors lead the way for enterprises to respond	3 hours	
	CHEN I-TAI	July 27, 2018	Taiwan Corporate Governance Association	Tax issues of before and post corporate mergers and acquisitions	3 hours	
		August 10, 2018	Taiwan Corporate Governance Association	Trade secret and non-compete clause	3 hours	

evaluation items	Status of Operation (Note)			Divergence from Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies and reasons
	Yes	No	Summary Explanation	
			<p>(VI) Implementation of risk management policies and risk measure The Company has established policies of the procedures for the acquisition or disposal of assets for subsidiaries, the procedures for endorsement and guarantee, the procedures for lending funds to other parties, and rules for governing the relevant financial and business operations between the company and its affiliated enterprises, in order to be used as the risk control basis and risk measurement standard for internal audit units.</p> <p>(VII) Implementation of customer policy The company is committed to meeting customer needs in providing customers with good services and products. The company dedicated staff communicates with customers for the products promptly, understands customer needs, promotes the interaction between the company and customers, and regularly reviews and improves in the production and sales meetings and quality control meetings.</p> <p>(VIII) Implementation of the liability insurance for directors and supervisors The Company has purchased directors and supervisors' liability insurance for the company on September 20, 2018 for USD 3 million. The period was from September 20, 2018 to September 20, 2019, and was reported to the Board of Directors on November 8, 2018.</p>	
IX.The TWSE Corporate Governance Center released its Corporate Governance Evaluation results. Please disclose any improvements done, and plans for future improvements. (those who are not included are not required to fill out): none	✓		<p>The results of the company's corporate governance evaluation have been improved as follows:</p> <p>(I) Improvements:</p> <ol style="list-style-type: none"> 1. The company has passed the amendment of the Articles of Association on August 9, 2018 - the nomination system for directors/supervisors has been adopted, and the resolution of the shareholders' meeting of 2019 submitted. 2. The Company has uploaded a 30-day's English notices for the 2018 Annual General shareholders' Meeting. <p>(II) Future improvements:</p> <ol style="list-style-type: none"> 1. The company has been invited (self) to hold at least two Investor Conferences based on the company's operations and financial status, not considered. 	It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies.

evaluation items	Status of Operation (Note)			Divergence from Corporate Governance Best Practice Principles for TWSE/OTC Listed Companies and reasons
	Yes	No	Summary Explanation	
			<p>2. Based on the company's operating conditions, the company does not consider the preparation of corporate social responsibility reports and other reports that disclose the company's non-financial information.</p> <p>3. The company signs a collective agreement with the employee: The company has not established a professional association and it is not necessary to sign a collective agreement according to the Collective Agreement Act.</p>	

Note: Regardless of whether or not the checked box is "Yes" or "No," it should be stated in the summary description field.

Note 1: professional backgrounds of the directors

Diversity core item Name of directors	Gender	management	leadership and decision	industrial knowledge	finance and accounting	law
LIU CHUNG-HSIN	Male	✓	✓	✓		
CHEN MING-SHAN	Male	✓	✓	✓		
LIN HONG-CHI	Male	✓	✓	✓	✓	
LIU HSIN-TSU	Male	✓	✓	✓		
LEE CHENG-PING	Male	✓	✓	✓		
LIU I-HSIAO	Female	✓	✓	✓		
LIU TSU-KUN	Male	✓	✓	✓		
LIU KONG-HSIN	Male	✓	✓	✓		
LIN YU-SIANG	Male	✓	✓	✓		✓

Note 2: Standards of evaluating external auditors' independence

item	evaluation items	evaluating results	complied with independence
1	Whether the external auditors' and the Company have direct or indirect financial interest relationships.	No	Yes
2	Whether or not the external auditors and the Company have a loan or guarantee.	No	Yes
3	Whether or not the external auditors and the Company have business relationships or possible employment.	No	Yes
4	Whether or not the external auditors have served as a director or manager of the company or has a significant influence on the audit case in the current or recent two years.	No	Yes
5	During the audit period, whether or not the external auditors' lineal relative by blood or by marriage, or relatives by blood within three generations are in the position of directors, supervisors or managers of the company or have direct and significant influence on the audit work and do not hold the company's significant financial interests as a priority.	No	Yes
6	Whether or not the external auditors have received a gift or gifts of great value from the company or the company's directors and supervisors, managers and major shareholders.	No	Yes
7	Whether or not the external auditors have served as a defender of the company or on behalf of the company to coordinate conflicts with third parties.	No	Yes

(IV) Operating status of the Compensation Committee

(1) Members information of Compensation Committee

Status (Note 1)	Name	terms	Have more than five years of work experience And the following professional qualifications		Complied with independence (Note 2)								The number of members of the Compensati on Committee served of other public offering companies	Note	
			An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university.	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company.	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company.	1	2	3	4	5	6	7			8
Independent Director	LIN YU- SIANG				✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent Director	LIU KONG- HSIN				✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Others	CHIEN CHIH- JEN				✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-

Note 1: Please Fill in director, independent director, or others in the field status.

Note 2: Each member meets the following conditions during the two years prior to the election and during the term of office, please place "✓" in the space below each condition code.

Not an employee of the company or any of its affiliates.

- Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1 percent or more of the total number of issued shares of the company or ranking in the top 10 in shareholding.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- Not a director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of issued shares of the company or ranks in the top 5 in shareholding.
- Not a director, supervisor, managerial officer, or shareholder holding 5 percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
- Not a professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, or accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof.
- No matter occurred of Article 30 of the Company Act.

(2) Operating information of the Compensation Committee

I. There are 3 members of the Committee.

II. Terms: June 26, 2017 to June 15, 2020

There are 3 meetings of the Committee in 2018. The qualification of the members and attendance are as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)(Note)	Note
Chairperson	LIN YU-SIANG	2	1	67%	
Member	LIU KONG-HSIN	3	0	100%	
Member	CHIEN CHIH-JEN	3	0	100%	

Other issues to be noted:

- The resolution of the board of directors shall state the date, period, content of the proposal, the opinions of supervisors, and the company's responses on the Compensation Committee if there is any opinion of Compensation Committee occurs: there is no such status.
- The resolution of the Compensation Committee where any member expresses dissent or abstention and it is contained in the minutes or a written statement shall state the date, period, content of the proposal, the opinions of all members, and the company's responses: there is no such status.

Note:

- For those members who have left the Compensation Committee before the end of the fiscal year, the resignation date should be specified in the remarks column. The attendance rate (%) will be calculated based the attendance in person count during their term.
- Before end of the year, if there is a re-election of the members, list the previous ones and new ones, and marks in the remarks column indicate status of terms of previous, new, or re-elected and re-elected. The attendance rate (%) is calculated based on the number of meetings of Compensation Committee during their term and the attendance in person count.

(3) Proposals and resolutions of the Compensation Committee

Compensation Committee	content of the proposal and follow up	resolution	the company's responses of the opinion
3 th meeting of the Third Term March 14, 2018	1.Approved the Company's 2017 remunerations of staff, directors, and supervisors.	Approved with no objection.	The board of directors was approved by all the attending directors.
4 th meeting of the Third Term May 29, 2018	1.Approved the Company's 2017 remunerations for directors and supervisors.	Approved with no objection.	The board of directors was approved by all the attending directors.
	2.Approved the Company's 2017 remunerations of managers.	Approved with no objection.	The board of directors was approved by all the attending directors.
5 th meeting of the Third Term December 20, 2018	1.Approved the Company's 2019 remunerations plan of staff, directors, and supervisors.	Approved with no objection.	The board of directors was approved by all the attending directors.
	2.Approved the Company's 2019 remunerations plan of directors and supervisors.	Approved with no objection.	The board of directors was approved by all the attending directors.
	3.Approved the Company's 2019 remunerations plan of managers.	Approved with no objection.	The board of directors was approved by all the attending directors.

(4) Scope of duties of the Compensation Committee

1. The Remuneration Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the board of directors for discussion:
 - A. Establishing for the directors' and supervisors' compensation.
 - B. Establishing for the chairperson, vice chairperson, and general manager.(managerial officers).
 - C. Other proposals raised by the board of directors.
2. The Remuneration Committee shall perform the duties under the preceding paragraph in accordance with the following principles:
 - A. Performance assessments and compensation levels of directors, supervisors and managerial officers shall take into account the general pay levels in the industry and the extent of goal achievement. Also to be evaluated are the reasonableness of the correlation between the Company's operational performance and future risk exposure.
 - B. There shall be no incentives for the directors or managerial officers to pursue compensation by engaging in activities that exceed the tolerable risk level of the Company.

(V) Perform Corporate Social Responsibility

Evaluation items	Status of Operation (Note 1)			Divergence from Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies and reasons
	Yes	No	Summary Explanation (Note 2)	
I. Exercise corporate governance				
(I) Has the Company established policies or systems and concrete promotion plans for corporate social responsibility?	✓		(I) The Company has established Corporate Social Responsibility Best Practice Principles and complied with related laws to perform its corporate social responsibility initiatives. Participate in preserving social public welfare to implement the corporate social responsibility initiative.	Complied with Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies and reasons.
(II) Has the Company, on a regular basis, organized education and training on the implementation of corporate social responsibility?	✓		(II) The company has organized, on a regular basis, education and training on the implementation of corporate social responsibility initiatives to comply with the relevant laws and regulations and implement the corporate social responsibility initiative.	Complied with Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies and reasons.
(III) Has the Company established an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the corporate social responsibility under the supervision of top management and concrete promotional plans and to report to the board of directors?		✓	(III) The Company has not established an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the corporate social responsibility. But the related units have performed accordingly.	There is no significant divergence.
(IV) Has the Company adopted reasonable remuneration policies and the employee performance evaluation system has combined with corporate social responsibility policies, and that a clear and effective incentive and discipline system be established?	✓		(IV) The company verifies salary based on employee's academic/work experience, professional knowledge and position and responsibility and does not give differential treatment according to gender, nationality, ethnicity and religious beliefs. The employee performance evaluation system be combined with corporate social responsibility policies, to encourage employees to comply with the corporate social responsibility and related regulations.	Complied with Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies and reasons.
II. Exercise corporate governance				

Evaluation items	Status of Operation (Note 1)			Divergence from Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies and reasons
	Yes	No	Summary Explanation (Note 2)	
(I) Has the Company endeavored to utilize all resources more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of natural resources?	✓		(I) In order to reduce the use of resources, the company uses the ERP system and e-mail to save the printing of letters in an electronical way. And introduce paperless work orders in the ERP system in Vietnam. Installed sewage treatment equipment and wastewater treatment tank in wastewater treatment. In the process of making rattan and powder coating of the Vietnamese subsidiary, the remaining rattan and powder recycling has been recycled, which will reduce the environmental load to protect the earth's resources.	Complied with Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies and reasons.
(II) Has the Company established proper environment management systems based on the characteristics of their industry?	✓		(II) In order to protect the environment and take care of the safety and health of employees and based on the conscious of environmental protection and the need for management of pollution prevention, we have carried environmental considerations and employee safety health risk control with ISO4001 management system. In order to reduce the impact on the environment and ensure that it does not cause harm to the human body.	Complied with Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies and reasons.
(III) Has the Company monitored the impact of climate change on their operations and established company strategies for energy conservation and carbon and greenhouse gas reduction based upon their operations and the result of a greenhouse gas inventory?	✓		(III) The Company continues to monitor and assess the operational impacts of climate change, including the substantial risks and regulations that may be brought about by climate change, and the products produced are handled in accordance with local regulations. The governments where the company operates have strict assessment mechanisms for the standard coal consumption.	Complied with Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies and reasons.

Evaluation items	Status of Operation (Note 1)			Divergence from Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies and reasons
	Yes	No	Summary Explanation (Note 2)	
<p>III. Preserve public welfare.</p> <p>(I) Has the Company complied with relevant laws and regulations, and the International Bill of Human Rights, to adopt relevant management policies and processes?</p>	✓		<p>(I) The Company complied with the basic labor human rights of International Bill of Human Rights, including prohibiting child labor, eliminating employment and occupational discrimination, prohibiting forced labor and providing a safe and healthy working environment, as well as complied with labor-related regulations. The main operating areas are Shanghai, China and Vietnam. Where there are trade union organizations to protect the legitimate rights and interests of employees, and to provide social insurance according to local regulations. The major issues of labor rights labor are communicated and coordinated by representatives of employers and management of the Group to ensure the harmony between labor and management.</p>	Complied with Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies and reasons.
<p>(II) Has the Company provided an effective and appropriate grievance mechanism and channels for the labor force, and responded to any employee's grievance in an appropriate manner?</p>	✓		<p>(II) The Company has established policies for handling complaints and cases, and the case and the investigation is handled by a specific person. The case and all the circumstances are indeed kept confidential to protect the complainant. If the complaint is found to be true and the circumstances are serious, it shall be dealt according to the law or the relevant provisions of the company. There is no major employee complaint or report in 2018.</p>	Complied with Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies and reasons.
<p>(III) Has the Company provided safe and healthful work environments for the employees and organized training on safety and health for the employees on a regular basis?</p>	✓		<p>(III) The Group organized training on safety and health and health check for the employees randomly. In addition, labor safety equipment, fire drills and other safety work are promoted to reduce the harm of the working</p>	Complied with Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies and

Evaluation items	Status of Operation (Note 1)			Divergence from Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies and reasons
	Yes	No	Summary Explanation (Note 2)	
(IV) Has the Company established a mechanism to facilitate regular two-way communication for the employees, and by reasonable means, informed employees of operating changes that might have material impacts?	✓		environment to the safety and health of employees. (IV) The Group's executive, management and decision-making levels have regular weekly/monthly luncheon meetings to communicate with all levels of the company. The Vietnamese subsidiary has held two-way communication meetings with the representatives of the union from time to time.	reasons. Complied with Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies and reasons.
(V) Has the Company established effective training programs to foster career skills?	✓		(V) The Company and the subsidiaries have planned employee training courses as needed to enhance their professional knowledge, skills and expertise, thereby enhancing their work performance. Training courses include orientation, on-the-job professional training, labor safety, occupational safety, fire drill, first aid training, evacuation training, etc.	Complied with Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies and reasons.
(VI) Has the Company established policies on consumer rights and interests and for accepting consumer complaints in the process of research and development, procurement, production, operations and services?	✓		(VI) The Company has offered service platforms via telephone and internet to provide a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints.	Complied with Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies and reasons.
(VII) Has the Company followed relevant laws, regulations and international guidelines when marketing or labeling their products and services?	✓		(VII) The company's major products, outdoor furniture, are distributed to all major retail suppliers around the world, and are handled in full accordance with relevant regulations and international standards.	Complied with Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies and reasons.
(VIII) Prior to engaging in commercial dealings, has the Company assessed whether or not there is any record of a supplier's impact on the environment and society?	✓		(VIII) The company maintains close cooperation with suppliers to enhance corporate social responsibility. It is necessary to comply with the local labor laws and environmental protection laws to protect labor safety and prevent environmental pollution.	Complied with Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies and reasons.

Evaluation items	Status of Operation (Note 1)			Divergence from Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies and reasons
	Yes	No	Summary Explanation (Note 2)	
(IX) Has the Company entered into a contract with any of their major suppliers, the content included terms stipulating mutual compliance with corporate social responsibility policy and that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source?		✓	(IX) The Company entered into a rigorous contract with major suppliers. But the content included terms stipulating mutual compliance with corporate social responsibility policy, and that the contract may be terminated or rescinded any time if the supplier has violated such policy has not included. It will be considered in the future.	There is no significant divergence.
IV. Enhance disclosure of corporate social responsibility information. (I) Has the Company disclosed relevant and reliable information relating to their corporate social responsibility initiatives at Company website and MOPS?	✓		(I) The Company has disclosed Corporate Social Responsibility Best Practice Principles in its website and disclosed corporate social responsibility initiatives in its annual report.	Complied with Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies and reasons.
V. If the Company has established Corporate Social Responsibility Best Practice Principles according to “Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies,” please state the divergence reasons: the Company has established Corporate Social Responsibility Best Practice Principles according to “Corporate Social Responsibility Best Practice Principles for TWSE/OTC Listed Companies” with no significant divergence.				
VI. Other information related to corporate social responsibility initiatives: The company will participate in social services and charitable activities from time to time and actively participate in neighbors related activities. Strive to run the business, provide a stable and high-quality work environment for employees and seek maximum benefits for the relevant stakeholders of the company.				
VII. The Company has adopted internationally related recognized standards or guidelines when producing corporate social responsibility reports, please state: not applicable.				

Note 1: Regardless of whether or not the check box is "Yes" or "No," it should be stated in the summary description field.

Note 2: If the Company has produced corporate social responsibility reports, summary explanation may be replaced by referring produced corporate social responsibility reports and index pages.

(VI) The status of implementation and the measures taken for implementing ethical corporate management of the Company

evaluation items	Status of Operation (Note 1)			Divergence from Ethical Corporate Management Best Practice Principles for TWSE/OTC Listed Companies and reasons.
	Yes	No	Summary Explanation	
<p>I. Establishing policies and plans for ethical corporate management</p> <p>(I) Has the Company expresses the policies and practices of ethical corporate management in the rules and external documents, and the commitment of the board of directors and management to actively implement in the operating policies?</p> <p>(II) Has the Company established in their own ethical management policy clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct, including operational procedures, guidelines, and disciplinary and appeal system for handling violations?</p> <p>(III) Has the Company adopted the preventive measures for each status in Item 2 of Article 7 of “Ethical Corporate Management Best Practice Principles for TWSE/OTC Listed Companies” and business activities within their business scope which are possibly at a higher risk of being involved in an unethical conduct?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company has established “Ethical Corporate Management Best Practice Principles” and complied with related laws.</p> <p>(II) The Company has established “Regulations governing whistle-blowing system of illegal, immoral, and unethical acts” in prohibition of unethical acts, and disciplinary and appeal system for handling violations.</p> <p>(III) The Company has established “Ethical code of conduct” that encourages employees to report to supervisors, managers, internal auditors, or other appropriate personnel when they suspect or discover violations of internal or external laws and regulations or ethical conduct. Every effort is made to protect the identity of whistle-blowers and their security and to handle subsequent matters as appropriate.</p>	<p>Complied with the Ethical Corporate Management Best Practice Principles for TWSE/OTC Listed Companies.</p> <p>Complied with the Ethical Corporate Management Best Practice Principles for TWSE/OTC Listed Companies.</p> <p>Complied with the Ethical Corporate Management Best Practice Principles for TWSE/OTC Listed Companies.</p>
<p>II. Implementing ethical management</p> <p>(I) Has the Company assessed trading counterparties of the ethical records, while entering into contracts that shall be included in such contracts terms requiring compliance with ethical corporate management policy?</p> <p>(II) Has the Company established a dedicated unit that is under the board of directors and is responsible for establishing and supervising the implementation of the ethical corporate</p>	<p>✓</p>	<p>✓</p>	<p>(I) The company strictly prohibits any improper or unethical behavior in commercial activities and that in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.</p> <p>(II) The Company has not established an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the ethical corporate management. But the</p>	<p>Complied with the Ethical Corporate Management Best Practice Principles for TWSE/OTC Listed Companies.</p> <p>There is no significant divergence.</p>

evaluation items	Status of Operation (Note 1)			Divergence from Ethical Corporate Management Best Practice Principles for TWSE/OTC Listed Companies and reasons.
	Yes	No	Summary Explanation	
<p>management policies and shall report to the board of directors on a regular basis?</p> <p>(III) Has the Company adopted policies for preventing conflicts of interest with providing an appropriate means and ensure their actual implementation?</p> <p>(IV) Has the Company established effective accounting systems and internal control systems for implementation of the ethical corporate management, and the internal audit unit periodically examined with the foregoing systems, or engage a certified public accountant to carry out the audit?</p> <p>(V) Has the Company regularly held education training on the implementation of the ethical corporate management?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>related units have performed accordingly.</p> <p>(III) In order to guide the conduct of all personnel of the company in line with the ethical standards in addition to strengthening compliance with the relevant laws and regulations, while the personnel of the Company are determined to refrain from engaging in actions with conflict of business, they should be evaded and reported to the directly-administered and responsible units to avoid the illegitimate interests of the relevant persons and damage the interests of the company and investors.</p> <p>(IV) The Company has established a complete and feasible accounting and internal control system. The internal audit unit prepares an annual audit plan, regularly checks the relevant departments according to the content of the plan, whether the operation of the enterprise complies with the internal control system, and reports the results to the board of directors regularly. Review and correct the lack of internal control system in a timely manner to ensure the continuous and effective implementation of the internal control system.</p> <p>(V) Through monthly meetings, the company regularly promotes and enhances employees to understand concepts and practices of the ethical corporate management.</p>	<p>Complied with the Ethical Corporate Management Best Practice Principles for TWSE/OTC Listed Companies.</p> <p>Complied with the Ethical Corporate Management Best Practice Principles for TWSE/OTC Listed Companies.</p> <p>Complied with the Ethical Corporate Management Best Practice Principles for TWSE/OTC Listed Companies.</p>
<p>III. Status of whistle-blowing system operations</p> <p>(I) Has the company established a specific whistle-blowing system and incentive system with convenient reporting channels and assigned appropriate personnel to the respondents?</p>	<p>✓</p>		<p>(I) The Company has established “Regulations governing whistle-blowing system of illegal, immoral and unethical acts.” Staff may report whistle-blowing issues via</p>	<p>Complied with the Ethical Corporate Management Best Practice Principles for</p>

evaluation items	Status of Operation (Note 1)			Divergence from Ethical Corporate Management Best Practice Principles for TWSE/OTC Listed Companies and reasons.
	Yes	No	Summary Explanation	
(II) Has the Company set the investigation standard operating procedures and related confidentiality mechanisms for the whistle-blowing?	✓		<p>telephone, e-mail, or fax. According to the said regulations, if the case is found to be true and the circumstances are serious, it shall be reported to the General Manager for further process. After accepting the whistle-blowing, the accepting unit shall attach relevant documents and set up a case handling team to conduct a follow-up investigation and follow-up by the responsible unit.</p> <p>(II) The company has an employee whistle-blowing unit to accept the case. All the personnel involved in the process, will verify the process through strictly confidential channel and keep confidential the identity of the whistle-blowers to protect the whistle-blowers.</p>	<p>TWSE/OTC Listed Companies.</p> <p>Complied with the Ethical Corporate Management Best Practice Principles for TWSE/OTC Listed Companies.</p>
(III) Has the Company taken measures to protect the whistle-blowers from improper treatment?	✓		<p>(III) The company is responsible for the confidentiality of the whistle-blower, preventing the person from being improperly dismissed and suffer from retaliation in the workplace.</p>	<p>Complied with the Ethical Corporate Management Best Practice Principles for TWSE/OTC Listed Companies.</p>
IV. Enhance disclosure of corporate social responsibility information. (I) Has the Company disclosed contents and promoted results of the Ethical Corporate Management Best Practice Principles at the Company website and MOPS?	✓		<p>(I) The Company has disclosed Ethical Corporate Management Best Practice Principles at the MOPS and website for the shareholders to inquire from.</p>	<p>Complied with the Ethical Corporate Management Best Practice Principles for TWSE/OTC Listed Companies.</p>
V. If the Company has established Ethical Corporate Management Best Practice Principles according to the “Ethical Corporate Management Best Practice Principles for TWSE/OTC Listed Companies,” please state the divergence reasons: the Company has established “Ethical Corporate Management Best Practice Principles” according to the “Ethical Corporate Management Best Practice Principles for TWSE/OTC Listed Companies” with no significant divergence.				
VI. Other information relating to Ethical Corporate Management Best Practice Principles: (such as the amendment of Ethical Corporate Management Best Practice Principles) The Company has established “Ethical Corporate Management Best Practice Principles” to foster a corporate culture of ethical management and sound development and offer a				

evaluation items	Status of Operation (Note 1)			Divergence from Ethical Corporate Management Best Practice Principles for TWSE/OTC Listed Companies and reasons.
	Yes	No	Summary Explanation	
reference framework for establishing good commercial practices. When engaging in commercial activities, directors, supervisors, managers, employees and mandataries of the Company or persons having substantial control over the Company shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts or breach of fiduciary duty for purposes of acquiring or maintaining benefits.				

Note 1: Regardless of whether or not the check box is "Yes" or "No," it should be stated in the summary description field.

(VII) If the company has adopted corporate governance best practice principles or related bylaws, disclose how these are to be searched.

The company has adopted Corporate Governance Best Practice Principles, Ethical code of conduct, Ethical Corporate Management Best Practice Principles, Corporate Social Responsibility Best Practice Principles, Regulations governing whistle-blowing system of illegal, immoral, and unethical acts, Rules and Procedures of Shareholders' Meeting, Rules and Procedures of Board of Directors, Rules for the election of directors and supervisors, rules for governing the relevant financial and business operations between the company and its affiliated enterprises and comprehensive internal control and internal audit systems to implement and promote corporate governance. And the related policies have disclosed under the "Corporate Governance" of the company's website investor area for shareholders' enquiries.

(VIII) Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance:

There is a specific area of corporate governance status and related policies of the company at the website for shareholders' enquiries. The major resolutions of the board of directors have disclosed on the company's website, based on the principle of openness and transparency of information to protect shareholders' rights.

(IX) The state of implementation of the company's internal control system

1. Statement on Internal Control

Keysheen(Cayman)Holdings Co., Limited and major subsidiaries Statement of Internal Control System

Date: March 13, 2019

Based on the findings of a self-assessment, the Company states the following with regards to its internal control system during the period from Jan. 1, 2018 to Dec. 31, 2018:

- I. We acknowledge that it is the responsibility of the Company's Board of Directors and managers to establish, implement, and maintain the internal control system. We have established said system. Its purpose is to reasonably ensure that operational effectiveness and efficiency (including revenue, performance, and asset safety) and reporting are reliable, timely and transparent, as well as to ensure compliance with relevant regulations and laws.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and takes corrective actions whenever a deficiency is identified.
- III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The criteria adopted by the Regulations identifies five components of internal control based on the process of management control: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring operations. Each component further contains several items. Please refer to the Regulations for details.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- V. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that, during the period, its internal control system in December 31st, 2018(including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability, timely and transparent of the reporting, and compliance with applicable laws, regulations and bylaws, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
- VI. This Statement will be an integral part of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality

in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

- VII. This Report has been passed by the Board of Directors on March 13, 2019, Among the eight directors present at the meeting, zero members had objections, and the rest agreed to the statement herein

Keysheen (Cayman) Holdings Co., Limited

Chairman: LIU CHUNG-HSIN

General Manager: LIU I-HSIAO

2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report: N/A

(X) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements: N/A.

(XI) Material resolutions of a shareholders' meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

1. Material resolutions of shareholders meeting

Date	Resolutions	resolution and execution status
May 29, 2018 General Shareholders' Meeting	1. The General Shareholders' Meeting accepted the Company's 2017 Business Report and Consolidated Financial Statements.	After attending shareholders' voting, the proportion of approval was 89.06%, the proportion of opposition was 0%, the ratio of invalidity was 0%, and the ratio of abstention/non-voting was 10.93%. The case was voted on as originally.
	2. The General Shareholders' Meeting accepted the Company's 2017 earnings distribution plan.	1. After attending the shareholders' voting, the proportion of approval was 89.06%, the proportion of opposition was 0%, the ratio of invalidity was 0%, and the ratio of abstention/non-voting was 10.93%. The case was voted on as originally. 2. June 19, 2018 is the ex-dividends date. It has been fully issued on July 12, 2018 according to the resolution of the shareholders' meeting (the cash dividends per share is NT\$0.35).

2. Material resolutions of the board of directors

Date	Resolutions	Note
March 14, 2018 5 th meeting of the Fourth Term	1. Approved the 2018 evaluation of independence and suitability of the external auditors.	Approved with no objections.
	2. Approved the engagement of the company's 2018 external auditors' firm and its professional fees.	
	3. Approved the Company's 2017 business report and consolidated financial statements.	
	4. Approved the Company's 2017 earnings distribution plan.	
	5. Approved the Company's 2017 remunerations of staff, directors, and supervisors.	
	6. Approved the endorsement and guarantee for subsidiaries.	

Date	Resolutions	Note
	7. Approved the date, place, and proposals of the 2018 General Shareholders' Meeting. 8. Approved the right of proposals submitted by the shareholders at the 2018 General Shareholders' Meeting. 9. Approved the Company's "Statement of Internal Control System" of 2017. 10. Approved the Company's evaluating result of IFRS 16 "Leases."	
April 30, 2018 6 th meeting of the Fourth Term	1. Approved applying for a credit financing line to Taipei Fubon Bank and providing the endorsement and guarantee for subsidiaries. 2. Approved applying for a credit financing line to E. Sun Bank and providing the endorsement and guarantee for subsidiaries.	Approved with no objections.
May 29, 2018 7 th meeting of the Fourth Term	1. Approved the ex-dividends date for cash dividend and related matters. 2. Approved applying for a credit financing line to CTBC Bank and providing the endorsement & guarantee for subsidiaries. 3. Approved the Company's 2017 remunerations of directors and supervisors. 4. Approved the Company's 2017 remunerations of managers.	Approved with no objections.
August 9, 2018 8 th meeting of the Fourth Term	1. Approved on replacement of certified public accountant. 2. Approved the Company's 2018 Q2 consolidated financial statements. 3. Approved the amendment of the company's articles of association.	
November 8, 2018 9 th meeting of the Fourth Term	No discussion Items	
December 20, 2018, 10 th meeting of the Fourth Term	1. Approved the endorsement and guarantee for subsidiaries. 2. Approved the 2019 audit plan for the Company. 3. Approved the replacement of the accounting supervisor. 4. Approved the replacement of the finance supervisor. 5. Approved the Company's 2019 remunerations plan for staff, directors and supervisors. 6. Approved the Company's 2019 remunerations plan o for directors and supervisors. 7. Approved the Company's 2019 remunerations plan for managers. 8. Approved the Company's 2019 business plan.	Approved with no objections.
March 13, 2019 11 th meeting of the	1. Approved the 2019 evaluation of independence and suitability of the external auditors.	Approved with no objections.

Date	Resolutions	Note
Fourth Term	2. Approved the engagement of the company's 2019 external auditors' firm and its professional fees.	
	3. Approved the Company's 2018 business report and consolidated financial statements.	
	4. Approved the Company's 2018 earnings distribution plan.	
	5. Approved the amendment of the company's articles of association.	
	6. Approved the amendment of the procedures for acquisition or disposal assets.	
	7. Approved the amendment of Corporate Governance Best Practice Principles.	
	8. Approved the date, place and proposals of the 2019 General Shareholders' Meeting.	
	9. Approved the right of proposals submitted by shareholders at the 2019 General Shareholders' Meeting.	
	10. Approved the Company's "Statement of Internal Control System" for 2018.	

(XII) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: N/A.

(XIII) Summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, and principal research and development officer.

Summary of resignations and dismissals of the company's concerned personnel

April 30, 2019

Title	Name	Assuming Date	Leaving Date	Reasons for Resignation or Discharge
Principal accounting officer	CHEN YUNG-LUNG	July 3, 2017	January 1, 2019	The assistant general managers and supervisor of finance & accounting department CHEN YUNG-LUNG, was promoted to Keysheen Vietnam Ltd. as CEO on January 1, 2019. The supervisor of accounting is the assistant manager LIN YI-TING; the finance supervisor of financial is temporarily represented by the general manager of LIU I-HSIAO.
Principal financial office		March 15, 2016		

Note: the company's related personnel includes chairman, general manager, accounting supervisor, finance supervisor, internal audit supervisor, and R&D supervisor.

V. Information on CPA professional fees

Name of the accountant firm	Name of the certified public accountant		Audit period	Note
Deloitte and Touche Taipei, Taiwan	LIN YI-HUI	LEE LI-HUANG	January 1, 2018 – March 31, 2018	Internal adjustment
	KUO NAI-HUA	LEE LI-HUANG	April 1, 2018 – December 31, 2018	

Note: If the company has replaced its certified public accountant or the firm within the current year, it shall disclose each audit period and reason for replacement in the note.

Tier information on CPA professional fees

Unit: in thousand NTD

CPA professional fees item		audit fee	non-audit fee	total
Amount level				
1	less than 2 million			
2	2 million (inclusive) to 4 million			
3	4 million (inclusive) to 6 million	✓		✓
4	6 million (inclusive) to 8 million			
5	8 million (inclusive) to 10 million			
6	10 million or more			

- When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: N/A

Information on CPA professional fees

Unit: in thousand NTD

Name of the accountant firm	certified public accountant Name	audit fee	non-audit fee					certified public accountant Audit period	Note
			System Design	Business registration	human resources	Others (Note 2)	Sub-total		
Deloitte and Touche	LIN YI-HUI	5,300	0	0	0	0	0	January 1, 2018	
	LEE LI-HUANG							-	

Taipei, Taiwan	KUO NAI- HUA LEE LI- HUANG							April 1, 2018 - December 31, 2018	
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Note 1: If the company has replaced its certified public accountant or the firm within current year, it shall disclose each audit period and reason for replacement in the note, and disclose the audit fee and non-audit fees paid.

Note 2: The amounts of non-audit fees as well as details of non-audit services shall be disclosed. When “others” of the non-audit fees has been 25% or more of the non-audit fees, the service details shall be disclosed in the notes.

2. When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: N/A.
3. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: N/A.

VI. Information on replacement of certified public accountant:

If the company has replaced its certified public accountant within the last 2 fiscal years or any subsequent interim period, it shall disclose the following information:

(I) Regarding the former certified public accountant:

Date of replacement	July 16, 2018		
Reason for replacement	According to the internal operations of the accounting firm, the certified public accountant in the second quarter of 2018 was replaced by KUO NAI-HUA and LEE LI-HUANG from LIN YI-HUI and LEE LI-HUANG.		
Specifying whether or not it was the certified public accountant that voluntarily ended the engagement or declined further engagement or it was the company that terminated or discontinued the engagement.	Party	Certified public accountant	Appointer
	Status		
	Terminate the engagement Voluntarily ended the engagement or declined further engagement	Not applicable	
The audit report expressing other than an unqualified opinion during the 2 most recent years, furnish the opinion and reason.	None		
Whether or not there was any disagreement with the company	Yes		Accounting principles or practices
			Financial report disclosure
			Auditing scope or procedure
			Others
	None	V	
Details: be omitted			
Other disclosures (The items A (d) to A(g) of the sixth paragraph of Article 10 of the Regulations shall be disclosed.)	None		

(II) Regarding the successor certified public accountant:

Name of the certified public accountant firm	Deloitte and Touche Taipei, Taiwan
Name of the certified public accountant	Auditors KUO NAI-HUA; LEE LI-HUANG
D a t e o f e n g a g e m e n t	August 9, 2018
If prior to the engagement, the company consulted the newly engaged accountant regarding the accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the company's financial report, the company shall state and identify the subjects discussed during those consultations and the consultation results.	None
written views from the successor certified public accountant regarding the matters on which did not agree with the former certified public accountant	None

(III) The reply letter from the former certified public accountant of the disclosures it is making pursuant to item A and to item B(c) of the sixth paragraph of Article 10 of the Regulations: Not applicable.

VII. Information on where the company's chairperson, general manager or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: N/A.

VIII. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

Any change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent

Title (Note 1)	Name	2018		as of April 14, 2019	
		shares increase (decrease)	Pledge of shares increase (decrease)	shares increase(decrease)	pledge of shares increase (decrease)
Chairman	LIU CHUNG-HSIN	0	0	0	0
Director and Production Center Chairman	LIU HSIN-TSU	0	0	0	0
Corporate director,	Lauer & Sons Corp.	0	0	0	0
Representative of corporate director,	Representative of Lauer & Sons Corp.: CHEN MING-SHAN	0	0	0	0
Director	LIN HONG-CHI	0	0	0	0
Director	LEE CHENG-PING	0	0	0	0
Director and general manager	LIU I-HSIAO	2,080,000	0	0	0
Director and executive director of sales center	LIU TSU-KUN	0	0	0	0
Independent Director	LIU KONG-HSIN	0	0	0	0
Independent Director	LIN YU-SIANG	0	0	0	0
Supervisor	LAI WU-LANG	0	0	0	0
Supervisor	HU JING-MING	0	0	0	0
Supervisor	CHEN I-TAI	0	0	0	0
assistant general managers and supervisor of finance and accounting department	CHEN YUNG-LUNG (Note 3)	0	0	0	0
Accounting supervisor	LIN YI-TING(Note 3)	0	0	0	0
Major shareholder	Lumar Industries Limited	0	0	0	0

Note 1: The shareholders holding greater than a 10 percent stake in the company shall be the major shareholders and must be listed.

Note 2: Where the counterparty in any transfer of equity interests and/or pledge of or change in equity interests is a related party, complete the following table.

Note 3: The assistant general managers and supervisor of finance & accounting department CHEN, YUNG-LUNG, was promoted to Keysheen Vietnam Ltd. as CEO on January 1, 2019. The supervisor of accounting is the assistant manager LIN YI-TING; the supervisor of financial is temporarily represented by the general manager of LIU I-HSIAO.

Transfer of equity interest information

Name (Note 1)	Reason for transferring shares (Note 2)	transaction date	counterparty	The counterparty's relationship between that party and the company's directors, supervisors, and ten-percent shareholders	shares	trading price
Not applicable						

Note 1: List names of the company's directors, supervisors, and ten-percent shareholders

Note 2: Fill in acquisition or disposal

pledge of equity interests information

name (Note 1)	reasons for pledging shares changed (Note 2)	transaction date	counterparty	The counterparty's relationship between that party and the company's directors, supervisors, and ten-percent shareholders	No. of Shares	shareh olding ratio	pledge d ratio	pledged loan (redemption) amount
Not applicable								

Note 1: List names of the company's directors, supervisors, and ten-percent shareholders

Note 2: Fill in pledged or redeem

IX. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another

Relationship information among the company's 10 largest shareholders

April 14, 2019

Name(Note 1)	Himself/herself Shares Owned		Shares Owned by spouse and children of minor age		Shares held through nominees		Names and relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another (Note 3)		Note
	No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage	Name (or Name)	Nature of Relationship	
Lauer & Sons Corp.	11,520,000	11.05%	0	0%	0	0%	LIU HSIN-TSU	Director, Lauer & Sons Corp.	
							LIU CHUNG-CHI	Director, Lauer & Sons Corp.	
							LIU TSU-KUN	Director, Lauer & Sons Corp.	
Lauer & Sons Corp. Representative of director: LIU HSIN-TSU	9,362,400	8.98%	0	0%	0	0%	Lauer & Sons Corp.	Director	
Lumar Industries Limited	11,520,000	11.05%	0	0%	0	0%	LIU CHUNG-HSIN	Director, Lumar Industries Limited	
Representative of director of Lumar Industries Limited: LIU CHUNG-HSIN	10,320,000	9.90%	8,248,000	7.91%	0	0%	Lumar Industries Limited	Director	
LIU CHUNG-HSIN	10,320,000	9.90%	8,248,000	7.91%	0	0%	Lumar Industries Limited	Director, Lumar Industries Limited	
							LIU CHUNG-CHI	siblings	
							CHOU TSUN-TSUI	spouse	
							LIU I-HSIAO	Father and daughter	
LIU CHUNG-CHI	9,543,000	9.15%	0	0%	0	0%	Lauer & Sons Corp.	Director, Lauer & Sons Corp.	
							LIU CHUNG-HSIN	siblings	
							LIU HSIN-TSU	father and son	
							LIU TSU-KUN	father and son	
LIU I-HSIAO	9,478,609	9.09%	0	0%	0	0%	LIU CHUNG-HSIN	Father and daughter	
							CHOU TSUN-TSUI	mother and daughter	
							LIU TSU-WEI	siblings	
LIU HSIN-TSU	9,362,400	8.98%	0	0%	0	0%	Lauer & Sons Corp.	Director, Lauer & Sons Corp.	
							LIU CHUNG-CHI	father and son	
							LIU TSU-KUN	siblings	
LIU TSU-WEI	9,361,040	8.98%	0	0%	0	0%	LIU CHUNG-HSIN	father and son	
							CHOU TSUN-TSUI	mother and son	
							LIU I-HSIAO	siblings	
CHOU TSUN-TSUI	8,248,000	7.91%	10,320,000	9.90%	0	0%	LIU CHUNG-HSIN	spouse	

								LIU I-HSIAO	mother and daughter	
								LIU TSU-WEI	mother and son	
HSBC Bank as custodian of Yumai Holding Company account.	5,608,600	5.38%	0	0%	0	0%	None	None		
Standard Chartered Bank Main Branch as custodian of LIU TSU-KUN Investment Account	5,308,560	5.09%	0	0%	0	0%	Lauer & Sons Corp.	Director, Lauer & Sons Corp.		
							LIU CHUNG-CHI	father and son		
							LIU HSIN-TSU	siblings		

Note 1: The 10 largest shareholders should be listed. If any of those 10 largest shareholders is an institutional shareholder, the name of the corporate shareholder and the names of its representative shall be noted.

Note 2: Calculation of shareholding ratio refers to shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of shareholding ratio.

Note 3: Shareholders mentioned above, including institutions or natural persons, shall disclose relationships according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

X. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managers and any companies controlled either directly or indirectly by the company

December 31, 2018; unit: share; %

Consolidated Shareholdings in Invested Companies (Note)	Investment Made by the Company		Investment in Companies Controlled by the Directors, Supervisors, Managers, and by the Company directly or indirectly		Consolidated Investment	
	shares	shareholding percentage	shares	shareholding percentage	shares	shareholding percentage
Yauchung Investment Corp.	37,000,000	100%	0	0	37,000,000	100%
Sinture Holding Ltd.	20,000,000	100%	0	0	20,000,000	100%
Keysheen Industry (Shanghai) Co., Ltd (Note 2)	(Note 1)	100%	0	0	(Note 1)	100%
Courtyard Creations International Limited (Note 3)	1,000,000	100%	0	0	1,000,000	100%
Courtyard Creations Inc. (Note 4)	1,000,000	100%	0	0	1,000,000	100%
Keysheen Vietnam Ltd. (Note 5)	(Note 6)	100%	0	0	(Note 6)	100%
Creative Courtyards International Limited (Note 5)	100,000	100%	0	0	100,000	100%
Creative Creations Inc. (Note 2)	(Note 1)	100%	0	0	(Note 1)	100%

Note: refers to long term investments accounted for using the equity method

Note 1: There is no share in the type of China limited company.

Note 2: 100% owned by the Yauchung Investment Corp.

Note 3: 100% owned by the Keysheen Industry (Shanghai) Co., Ltd

Note 4: 100% owned by the Courtyard Creations International Limited

Note 5: 100% owned by the Sinture Holding Ltd.

Note 6: There is no share in the type of Vietnam limited company.

Four. Information on capital raising activities

I. Capital and shares

(I) Source of Stock Capital

1. Capital raising activities

year month	Issue Price	Authorized Capital Stock		Issued Capital Stock		Note		
		shares (thousand share)	amount (thousand dollar)	shares (thousand share)	amount (thousand dollar)	Source of capital	property other than cash is paid by the subscribers	others
2010.09	NTD10.	200,000	2,000,000	0.001	0.01	capital for registration of incorporation	None	None
2010.12	NTD10.	200,000	2,000,000	0.1	1	Cash injection \$990	None	None
2011.01	NTD10.	200,000	2,000,000	80,000	800,000	converted capital \$799.999 million	None	proceeded equity swap with shareholders of Yauchung
2011.12	NTD10.	200,000	2,000,000	90,000	900,000	cash injection \$100 million	None	Approved by FSC JinKuanChengF aJi 1000054461 on November 9, 2011
2012.07	NTD10.	200,000	2,000,000	108,000	1,080,000	Capital increase through capitalization of retained earnings \$180 million	None	Approved by Taiwan Stock Exchange TaiChengSunErJi 10100154221 on July 11, 2012
2014.11	NTD10.	200,000	2,000,000	106,285	1,062,850	Treasury share cancelled \$17.15 million	None	Approved by Taiwan Stock Exchange TaiChengSunErJi 1030023820 on November 14, 2014
2015.11	NTD10.	200,000	2,000,000	104,261	1,042,610	Treasury share cancelled \$20.24 million	None	Approved by Taiwan Stock Exchange TaiChengSunErJi 1040024298 on November 30, 2015

Note 1: fill in data of the current fiscal year up to the date of publication of the annual report

Note 2: The capital increase part should note the effective (approved) date and document number.

Note 3: The issue price of share certificates less than the par value shall be prominently identified as such.

Note 4: Equity capital to be contributed by shareholders in the form of monetary credit or technical know-how shall be identified as well as list the type and amount.

Note 5: Any privately placed subscription shall be prominently identified as such.

2. Type of Stock

Stock Type	Authorized Stock Capital			Note
	Number of Shares Outstanding (Note)	Unissued Shares	Total	
Registered Common Stock	104,261,000	95,739,000	200,000,000	Listed stock

Note: Please indicate whether the stock is listed on TSE or OTC stocks(if it is restricted to market, it should be noted.)

The shelf registration related information

Security type	Securities to be issued		Securities already issued		Purpose of issuing and expected effects	Unissued part Scheduled release period	Note
	Total shares	Approved amount	No. of Shares	Price			
Not applicable							

(II) Shareholder structure

April 14, 2019

Shareholder structure \ Quantity	Government Entity	Financial Institution	Other Institution	Individual	Foreign Institution and Alien	Total
Number of Shareholders	0	0	6	838	16	860
Shares Owned	0	0	652,200	66,729,771	36,879,029	104,261,000
Shareholding percentage	0%	0%	0.63%	64.00%	35.37%	100.00%
Mainland Chinese shareholding percentage of the Company: 0%						

Note: Primary listing(OTC) Company and OTC Emerging Stock should disclose Mainland Chinese shareholding percentage. Mainland Chinese shareholding refers to the shares or capital in a foreign issuer are directly or indirectly held by mainland Chinese, legal entities, organizations or any other institute from mainland China, or any shareholder with influential power over such foreign issuer are mainland Chinese, legal entities, organizations or any other institute from mainland China of Article 3 of Measures for investment licenses from mainland China to Taiwan.

(III) Shareholding Distribution

April 14, 2019; par value: NTD10

Size of Shareholding	Number of Shareholders	Shares Owned	Shareholding percentage
1 - 999	212	30,845	0.03%
1,000 - 5,000	426	889,813	0.85%
5,001 - 10,000	78	606,600	0.58%
10,001 - 15,000	20	249,000	0.24%
15,001 - 20,000	16	290,333	0.28%
20,001 - 30,000	27	666,800	0.64%
30,001 - 50,000	21	878,000	0.85%

50,001 - 100,000	28	1,908,200	1.83%
100,001 - 200,000	12	1,602,800	1.54%
200,001 - 400,000	7	1,951,000	1.87%
400,001 - 600,000	1	569,000	0.55%
600,001 - 800,000	0	0	0%
800,001 - 1,000,000	0	0	0%
1,000,001 and above	12	94,618,609	90.74%
Total	860	104,261,000	100.00%

Preferred Shares

April 14, 2019

Size of Shareholding	Number of Shareholders	Shares Owned	Shareholding percentage
Grading according to actual situation	Not applicable		
total			

(IV) Major Shareholders list

Major Shareholders name	Stock	Total Number of Shares	shareholding percentage
Lauer & Sons Corp.		11,520,000	11.05%
Lumar Industries Limited		11,520,000	11.05%
LIU CHUNG-HSIN		10,320,000	9.90%
LIU CHUNG-CHI		9,543,000	9.15%
LIU I-HSIAO		9,478,609	9.09%
LIU HSIN-TSU		9,362,400	8.98%
LIU TSE-WEI		9,361,040	8.98%
CHOU TSUN-TSUI		8,248,000	7.91%
HSBC Bank as custodian of Yumai Holding Company account.		5,608,600	5.38%
Standard Chartered Bank Main Branch as custodian of LIU TSU-KUN Investment Account		5,308,560	5.09%

(V) Stock Price, Book Value per Share, EPS, Dividends, and Related Information
Unit : NT\$

Item		Year		as of March 31, 2019 (Note 8)	
		2017	2018		
per share market price (Note 1)	Highest	68.80	44.60	40.50	
	Lowest	42.70	36.50	38.80	
	Average	56.37	40.31	39.68	
per share Book value (Note 2)	Before distribution	39.66	38.32	40.73	
	After distribution	39.31	(Note 9)	-	
per share earnings	Weighted average number of shares (thousand shares)		104,261	104,261	104,261
	earnings per share(Note 3)	before adjustment	0.43	(0.48)	1.60
		after adjustment	0.43	(Note 9)	-
per share dividend	cash dividend		0.35	0	-
	Stock divide nd	Earnings dividend	-	-	-
		Capital reserves dividends	-	-	-
	Dividend in arrears (Note 4)		-	-	-
ROI analysis	Price-to-Earnings Ratio (Note 5)		125.93	(85.21)	-
	price to dividends ratio (Note 6)		154.71	-	-
	Cash dividends yield (Note 7)		0.65%	-	-

*If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: List the highest and lowest market prices of common stocks for each year, and calculate the average market price for each year based on the annual transaction value and volume.

Note 2: Please fill in the number of shares that have been issued at the end of the year and the allocation according to the resolution of the shareholders meeting of the next year.

Note 3: If there is a retrospective adjustment due to the dividends distributions contemplated, the pre-adjustment and adjusted earnings per share should be presented.

Note 4: Equity securities issuance conditions, if there are provisions for the undistributed dividends in the current year to be accumulated in the year of the surplus, should disclose the accumulated unpaid dividends for the year.

Note 5: Price-to-Earnings Ratio = average closing prices per share of current year / earnings per share

Note 6: price to dividends ratio = average closing prices per share of current year / cash dividend per share

Note 7: Cash dividend yield = cash dividends per share / average closing prices per share of current year

Note 8: Fill in data of book value per share and EPS of the current fiscal year up to the date of publication of the annual report with the information of the external auditor audited (reviewed) in the most recent quarter. Other fields fill up to the date of publication of the annual report.

Note 9: The Company's 2018 earnings distribution plan resolution of no dividend distributed approved by the Board of Directors on March 13, 2019, pending approval at shareholders' meeting.

(VI) Dividends Policy and Implementation

1. Dividends policy defined in the company's Articles of Association:

(1) If there is any profit at the end of the fiscal year (the so-called profit refers to the net profit before tax minus the distribution of employee compensation and the net profit before the director's compensation), the ratio should be as follows:

(a) The Company allocates from its annual profit more than 0.10% as employees' compensation. When employees' compensation may be delivered in stock or cash, the employees of the subsidiaries company that meet certain criteria, can be allocated.

(b) If it is not more than 3.5%, the remuneration of directors and supervisors will be delivered entirely in cash.

But if the Company has incurred cumulative losses (including adjusted retained earnings), the profit should be used instead to offset the losses.

Items (a) and (b) shall be decided by the board of directors and reported to the shareholders' meeting.

(2) The annual net income should be appropriated after deducting any accumulated losses and taxes and providing legal and special reserves and reversing special reserve. The remaining earnings will be used to pay the accumulated and current year's dividends of Class-A preferred shares, the board of directors will then prepare a proposal for approval at the shareholders' meeting on the appropriation of the remaining earnings and the retained earnings from previous years.

(3) In addition to the undistributed surplus retained by the board of directors, dividends and dividends may be paid to shareholders in proportion to their shareholdings.

(4) Except for the resolutions of the Board of Directors and the Shareholders' Meeting, any remaining profits may be based on the Cayman Islands Companies Law and public offering law. After considering the financial, business and operational factors, the shareholders' income is not less than 20% of the current year's after-tax surplus as dividends or bonus.

(5) Shareholders' dividends and bonus are divided into two ways: stock dividends, which account for 0% to 50% of total dividends, and cash dividends, which account for 100% to 50% of total dividends.

2. Proposed Dividends for Approval at the Forthcoming Shareholders' Meeting

The Company's earnings distribution plan resolution of no dividend distributed approved by the Board of Directors on March 13, 2019, pending approval at the 2019 shareholders' meeting.

3. A material change in dividends policy is expected: N/A.

(VII) Effect upon business performance and earnings per share of any stock dividends distribution scheme proposed or adopted at the most recent shareholders' meeting: Not

applicable.

(VIII) Compensation of employees, directors and supervisors

1. The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the company's articles of incorporation:

(1) The Company allocates from its annual profit more than 0.10% as employees' compensation. When employees' compensation may be delivered in stock or cash, the employees of the subsidiary companies that meet certain criteria, can be allocated.

(2) It is not more than 3.5% as remuneration of directors and supervisors will be delivered entirely in cash.

2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: There are no earnings in 2018. Therefore, the compensation for the directors, supervisors and employees is 0.

If there is a change in the Board approved distributed amounts with significant change before the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimates. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimates the next year.

3. Information on any approval by the board of directors of distribution of compensation:

(1) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause and the status of treatment shall be disclosed: There is no earnings of 2018. Therefore, the compensation for the directors, supervisors, and employees are 0. There is no difference of the compensation for the directors, supervisors and employees with the 2018 consolidated financial statements. Therefore, there are no earnings adjustment.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated only in the parent company's financial reports or individual financial reports for the current period and total employee compensation: Not applicable.

4. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year and, if there is any discrepancy between the actual distribution and the recognized employee, director or supervisor compensation, additionally the discrepancy, cause and how it is treated:

On March 14, 2018, the board of directors of the company decided to distribute the 2017 compensation for employees NT\$1,923,195, and the amount of compensation for directors and supervisors was NT\$721,198. The actual allotment amount is the same as the original recognized amount. There is no difference.

(IX) Share repurchases: N/A

II. Any issuance of corporate bonds: None.

III. Any issuance of preferred shares: None.

IV. Any issuance of global depository receipts: None.

V. Any issuance of employee stock warrants: None.

VI. Any issuance of new restricted employee shares: None

VII. Any issuance of merger and acquisition activities: None.

VIII. The status of implementation of capital allocation plans: None

Five. Overview of operations

I. Description of the business

(I) Scope of business

1. The major lines of business:

- (1) The production and sale of outdoor leisure furniture.
- (2) The production and sale of outdoor leisure furniture, such as umbrellas bases, umbrellas, ice buckets, cotton pads, pillows, tents, stoves, etc.

2. The relative weight of each product

fiscal year product name	2018	
	the net revenue (thousands of NTD)	the net revenue percentage(%)
leisure furniture	6,037,976	98.15
leisure furniture parts	104,502	1.70
Others	9,539	0.15
Total	6,152,017	100.00

3. Item of each current product

- (1) Metal and rattan outdoor leisure furniture

4. New products planned for development:

- (1) Personalized outdoor leisure furniture

The positioning of "outdoor leisure furniture" has already changed from the original stereotypes. Outdoor furniture has gradually changed from the original "needed" to the "wanted" product. The continuous extension of modern living space, the furniture and outdoor furniture tend to be more and more indoor trended, and gradually move into the combination of indoor and outdoor products. The company has been a pioneer in industry design and the future design is towards the concept of environmental protection, comfort and fashionable outdoor life, paying more attention to materials, production and technology interacting with interior design concepts. Therefore, the boundary of outdoor furniture has gradually become mixed and it has become the "fifth" space of people's daily life from the outdoors, and has become one of the important personalized stages. Through the application of multi-materials and the development of various processes, the company continues to enrich its product portfolio to meet the needs of different consumers.

The increasing younger consumer groups and the preference for online purchase behavior, the urban product line is more recognized by the market due to its ease of use, small space requirements and the flexibility in combination. With the needs of high-quality life, high-end branding products are no longer unique to furniture stores, but gradually introduced by more medium and high-end large-scale stores and sales have also shown a steady growth.

In addition, the company applied the indoor fireplace concept to outdoors and actively invested in the development and promotion of outdoor stoves, which has been popular in the market in recent years. From the original design and sales of furniture products, it has become a unique product. Meanwhile the use of a variety of materials to promote it has become one of the fast-growing products of outdoor furniture. On the back to nature trend

after the high industrialization, the company's imitation stone and imitation wood hand-painted products have the characteristics of individuality and natural wind. In recent years, they have been mainstream products as personalized products.

(2) Rattan outdoor leisure furniture

The rattan outdoor leisure furniture has a natural simplicity and an idyllic fashion charm. Compared with traditional metal materials, rattan furniture attracts attention due to its warm and texture in terms of shape and color. With the development of plastic rattan material and the improvement of the editing process, the acceptance of rattan outdoor leisure furniture products by European and American consumers has increased year by year. It has become the mainstream in outdoor furniture market.

The company has established a new rattan outdoor furniture production base in Vietnam in 2016 and has been completed and gone into production. The Vietnam factory builds the concept of a professional workstation and cooperates with the system management method to create scale production and high-quality products. The production process of pure hand-woven rattan can be distinguished from the traditional family workshop production mode and the development of more high-quality rattan outdoor furniture with more market appeal. In addition, Vietnam's small order and diverse production management processes, as well as a high degree of quality self-inspection, are different from traditional mass production methods. In the consumer market that emphasizes customization and personal style, the Vietnamese factory has a competitive advantage in providing diverse products.

(II) Overview of the industry

1. Industry status and development:

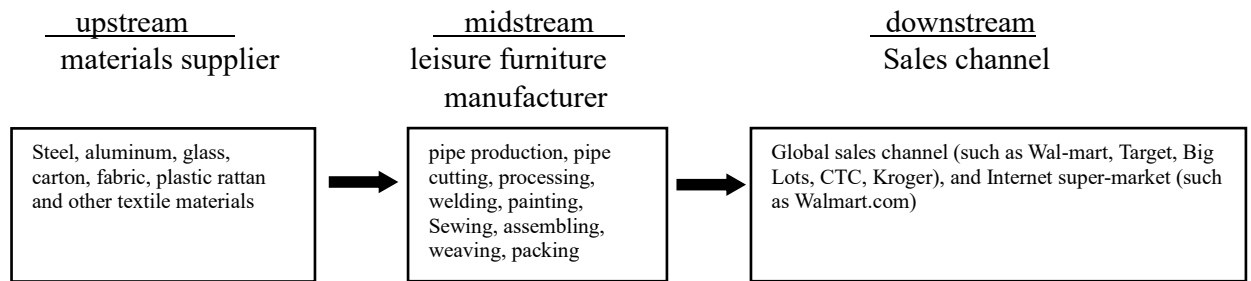
With the rapid advance of technology life, it tends to advocate the concept of slow life for leisure life, which is natural, healthy, and personalized, making the demand for outdoor furniture increasingly with diverse. At the same time, the concept of outdoor home extension becoming the “fifth space” of daily life has gradually developed, and outdoor furniture has gradually explored potential consumers in the European, American and Asian markets. Currently outdoor leisure furniture has been tripping the general folding chair, the beach chair to the current set of suits, as well as the more abundant supporting rocking chair, reclining chair, swing and sofa combinations, etc. are more favored and recognized by consumers. With the development of diverse styles, different markets and product positioning promote the growth of the outdoor furniture market.

In addition, outdoor furniture is characterized by simplicity and fashion, and natural taste is the main trend. The color pattern follows the trend of fashion; the soft cushion pillow is an independent element to highlight the value of furniture. Multi-style single-item accessories mix and match to reflect the casual and personalized outdoor lifestyle. With the growing youth consumer groups, online sales have become an unbeatable consumption pattern. At the time when physical store customers have switched to online sales, the company adheres to the professional spirit of consistent service customers, from product planning and logistics, to the coordination of the overall sales model, the results have been recognized by customers. The new market frame has started to form and how to deepen development has become one of the main topics of the company's future operations.

Outdoor leisure furniture must have the function of adapting to harsh outdoor conditions. There are basically three main categories in the selection of materials: metal (steel or aluminum) with better durability and ductility, and plastic rattan products with natural shape and imitation wood plastic wood products. Influenced by health, sunshine and natural leisure lifestyle, the market share of imitation materials has increased with an unstoppable trend. Mixing three elements of metal, plastic wood and plastic rattan into an important format to show the individuality of products and guide new market trends. With the diversity of desktop materials, the use of various desktop materials to combine and mix and match is the focus of development.

The development of the industry has been quite mature and stable and has been developing steadily. The global turnover in 2018 is about 38 billion US dollars, of which the United States and Canada are the major sales markets for outdoor leisure furniture. The company has working on the world's largest US and Canadian market with a history of nearly 20 years, and has established deep and long-term relationships with major channel stores.

2. Relevance of upstream, midstream and downstream of the industry:



3. Various development trends of products:

- ① The outdoor leisure furniture is unique in design, versatile in function, simple in assembly and improved in comfort.
- ② The product style has been extended from the traditional dining room furniture to the outdoor stove and sofa combination.

4. Competition:

The company is a manufacturer engaged in the design, manufacture and sale of outdoor leisure furniture. The main sales target is the world's major channel. The market is relatively mature and each major furniture store has its own characteristics and market segments.

The main features of the company are the sales team knowing market very well, especially in grasp the market trends sharply, understand the customer segmentation and consumer grouping, as well as the professional R & D design team to design products that meet market and customer needs. The company has a place in the industry in terms of R&D design, sample production, company scale, production technology, and order capabilities. The variety of products to fulfill customers one-stop shopping needs is the Company's advantage.

The company provides differentiated services for loyal and quality customers, such as customized products, online sales service support, balanced production, logistics and distribution, helping customers save logistics costs. The overseas distribution service, that is, sales and distribution according to the customer's sales requirements, directly shipping to the store, thereby saving the cost of logistics and distribution for the customer, to enhance customer dependence and loyalty. The company's overseas distribution supporting services are unique. Due to the company's product categories are numerous, and the production and

sales integration production model can be realized, thereby enhancing the competitiveness and irreplaceability of the company.

(III) Overview of the company's technologies and its research and development

1. Research and development of new product and process improvement

(1) Overview of research and development

The concept of innovation has been the company's core competence and has been pioneer of outdoor furniture development to be leading the industry development trend. In order to maintain the good momentum, the company has invested in developing and designing, including building R&D teams, visiting world-renowned furniture fairs, and continuing to develop new structures and materials. The main research and development directions are as follows:

a. Develop products with higher added value:

By increasing the comprehensive performance of the product, the multi-functional application of the same product, the upgrading of decorative materials, and the quality requirements, and control of each production process, the overall value of the product has improved, thereby improving product profitability.

b. Multi-change combination design of conventional products:

Through resource integration, the big data platform is established to be flexible and diversified the components of different products, including different product structures but the same series of products. By using the accumulated product reserves over the years and combining them into different single products or kits, it may control and reduce the cost of product mold fixtures for the company.

c. Environmentally friendly and sustainable development materials and applications:

The company has taken energy conservation and emission reduction, low carbon consumption and consumption as a sustainable development strategy. In the development process, the company promptly updates relevant international and domestic regulations, and gradually eliminates old high energy-consuming processes and equipment. Strictly control the product materials to meet the most stringent international standards, closely follow the international research and development of new environmentally friendly materials, and optimize environmentally friendly materials in product material design and packaging material design to solve customers' worries.

d. Laboratory specialized construction:

Currently the company is planning to build two multi-purpose laboratories, Keysheen Industry (Shanghai) Co., Ltd and Keysheen Vietnam Ltd., to introduce new test equipment to meet all functional testing needs of the product. Timely updates standards, maintains positive interaction with professional testing organizations such as UL/BV/ITS, and maintains timely updates of internal testing standards and customer testing standards. Increase the team of test engineers, actively participates in relevant training, masters the test process control points, ensures the accuracy of test equipment operation, and the authenticity of test results.

e. Develop new products that meet customer needs for each type of customer:

According to customer requirements, combined with today's outdoor furniture design

concepts and design elements, we have designed and developed more than 400 products for various types of customers. The products cover a wide range to enhance the competitive advantage of the market and provide a strong guarantee for the company to obtain more orders.

f. The innovation of rattan products:

The company continues to introduce new styling and new editing methods to enrich the rattan product category. In addition to the introduction of new products in the rattan color and style, the company continues to invest in producing new rattan materials, in order to develop new, more environmentally friendly and cost-competitive rattan material.

g. Textile product development:

With the changes in market trends, modern furniture design is loved by young consumers. In combination with the trend development department has found a variety of rope materials, including fabric webbing and air core/core rope, teslin ribbon and hollow core rope, then successfully developed a series of modern minimalist products and successfully entered the market.

h. research and development of outdoor tent product:

With the expansion of the Vietnam factory product lines, it is now possible to produce non-woven rattan iron and aluminum products. Since the US-China trade war in the third quarter of 2018, China's exports have been affected to a certain extent, so such products have a certain cost advantage in the production and shipment of Vietnam factory. In 2019, it plans to develop five new tents, including the middle end (two iron tents) and the middle and high end (three rattan tents).

(2) Process improvement continues:

A. Shanghai factory: Continuously improves the processes of pipe production, processing, electric welding, painting, etc. In order to ensure the smooth implementation of the various improvements, the company set up project team to be responsible for promoting and implementing.

a. The pipe production process has improved. In the pipe production process, mechanical auxiliary equipment is added to the equipment for slitting and pipe cutting, which reduces the materials for cutting and stacking personnel and reduces the production cost. Overcoming the limitations of material thickness in pipe production, reducing the thickness of the decorative pipe and reducing the material cost.

b. The processing technology has improved, and the processing time of each process has measured precisely, and the various processing steps are connected, and the equipment and personnel are optimized in line to maximize the production capacity.

c. Improved welding process for improved robot welding yield rate of argon arc welding and shielded arc welding. By adjusting the ratio of the mixed gas and specifying the welding current/voltage requirements of different thicknesses of materials, in order to control the extra manpower for repairing poor welding.

d. The painting process improved and the packaged operation mode is used to break the old mode in which one hanger only hangs a single component and the unit output coating area has increased. Improvement on painting equipment, energy adjustment of oil to electricity, help to reduce output energy consumption. It is mainly based on automatic spray guns and manual spray as supplement to reduce labor costs and improve product

quality.

- e. The assembly process has improved, the packaging and sealing is done by robot glue coating, and the automatic press machine controls the pressing time to reach the curing cure point in order to ensure product packaging quality. Based on the single process per man-hour, the working hours and personnel arrangement of each workstation are reasonable, the time is accurate to the second, and the personnel are assigned to individual. The balanced assembly layout helps solve the problem that the specific workstation takes a long time to make the workpieces less than ready to be fed or ready to assemble, helping to keep the pipeline running continuously, reducing wasted time and improving quality.
- f. The material turnover has improved, and the finished product transferred from the assembly line to the finished product warehouse through the automatic assembly line, and the bar code scanning are used to complete the storage. In terms of raw materials and semi-finished products, the method of constant volume and quantitative measurement of the carrier is adopted to facilitate the work of sending and receiving materials in the production process. In preparation lead time, based on the assembly line schedule, the material kept in the warehouse for three days to solve the problem of the timeliness of the original equipment.

B. Vietnam factory: The Vietnam factory has always adhered to the management concept of packaged production, from the front-end processing and welding to the later rattan packaging, all of which are based on the principle of packaged materials and production, so as to reduce the unnecessary cost of inventory backlog and handling caused by unsuitable materials. Besides the Vietnam factory has been using the piece-rate production mode, and the production line is schedules by the computer system. In addition to greatly reducing the management staff's operations, it has a clear performance appraisal for direct personnel. In order to reduce customer complaints and warranty costs, the Vietnam factory introduced the semi-finished product inspection and the trial production model of the finished product, which has reflected in the past year's warranty cost. Meanwhile, with the accumulation of production data, the company will be able to adjust the process in a more efficient manner in response to changes in raw materials and labor markets.

2. The invested research and development expenses during the most recent fiscal year or the current fiscal year up to the date of publication of the annual report:

In Thousands of New Taiwan Dollars

item \ year	2018	Quarter 1 of 2019
Research and development expenses	100,989	21,611
Operating income	6,152,017	2,648,718
to operating income ratio(%)	1.64	0.82

3. The research and development as well as technologies and/or products successfully developed during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

fiscal year	research and development work	research and development work detail
2018	Textile product development	The fabric webbing and air core/core rope are used as the main decoration and supporting materials. They are full of modern and popular elements, and are highly praised by customers and meet the needs of younger market.
	Development of cement/mosaic countertops	The company and the material manufacturers jointly researched, designed, and optimized more than 20 kinds of countertop materials such as cement, mosaic, and new tiles.
	Technical improvement and R&D of gas appliances	The safety performance guarantee of gas appliances is the top priority of product research and development. In the future, we will continue to conduct in-depth research and detail improvement on the safety performance guarantee of gas appliances to ensure safe and comfortable in the market, so that consumers have no worries.
	Continuous development of new hybrid rattan/high-end rattan products	Positioning key research and development of medium and high-level products, giving full play to the advantages of independent design and production of rattan in Vietnam factories, and developing new shapes and textures of rattan materials.
	Development of tent products	The company has specialized in the industry. After nearly one year of research and development and in-depth analysis, the company has set up a professional team in functional design, structure development, cost control, etc., and has designed a variety of highly competitive tent products. Make continuous improvement and present to the customer and consumer market with optimized products.
	Development of stone plastic composite desktop materials	Different from traditional tabletop materials such as glass, tile, wood, and cement, the new material of stone-plastic floor has the advantages of lightness and wear resistance. The cost is between tile and wood, which meets the market needs.
	New component package packing method development	In view of the environmental friendliness and ease of operation of the original blister-blown component package, the company has been actively investing in the development of new bagged parts packs, and has achieved remarkable results, which is lower than the blister in cost control and more convenient in use.

(IV) The company's long- and short-term business development plans.

1. The company's short-term business development plans:

(1) R&D and sales

- ① Continue to deepen the sales channels of various markets, and cooperate with customers to jointly develop new products to ensure that customers' products are unique and unitary, so as to separate the market.
- ② Continue to develop multi-combination furniture, integrate new materials into product design, and create new products to increase market share
- ③ Continue to deepen the regional customers in North America and increase the market share of the company products. And actively expand new customers, and go high-end market with the "Patiologic" brand.
- ④ To extend product range, in addition to further expanding in UK, the European region will strengthen efforts to develop other European marketing.
- ⑤ Segment customer types and develop strategic customer with gross profit.
- ⑥ Actively study the characteristics of online sales products and expand the proportion of online sales market.

(2) Production:

- ① Strengthen the quality sense for employees, and pay attention to the training of multi-capacity expertise to improve production efficiency, and cooperate with production line automation to improve equipment utilization rate. Increase the efficiency of the use of the factory, and implement product quality control, improve product quality and product completion rate.
- ② Fully implement annual balanced production, streamline the use of workers' efforts, continuously improve the production process, and continue to expand the scope of automation and labor saving, in order to have more effectively controlled the employment and production costs.
- ③ Through the OEM method to implement the management of third-party manufacturers, effectively increase production capacity, reduce product costs, and enhance product competitiveness.
- ④ Flat organization, streamlined personnel and efficient management
- ⑤ Continuously promote the systematic management of the whole process, adopt bar code control and record all production data in detail, and fully reflect the concept of product history in production and shipment management, and build production big data system instead of experienced management.
- ⑥ Continue to train and prepare for a small quantity diverse production processes, as well as maintain a high quality self-test ratio.

(3) Operating management:

- ① Effectively master the comprehensive budget, flexibly and effectively use working capital, effectively avoid exchange rate risks and ensure the company's profit.
- ② Continuously strengthen the on-the-job training of employees, and implement quality and performance assessment, and cultivate excellent teams and talents to grow with the company.
- ③ Improve the management information system, strengthen the internal control mechanism, and ensure the reliability and accuracy of financial statements.
- ④ Enhance the accuracy and commonality of management information by using various management reports generated by unified information sources.

⑤ Actively cultivate self-training talents with work goals and rotation plans for future operational talents to develop their strengths.

2. The company's long-term business development plans.

(1) R&D and sales:

- ① R&D and develop the commercial furniture market to establish a new sales team to expand the company's business scope.
- ② Continue to deepen the development with customers, further enhance the depth of overseas logistics with customers, provide a more comprehensive after-sales service mechanism, carry out cross-industry cooperation plans, and timely develop local market.
- ③ Actively and continuously develop green and environmentally-friendly raw materials and promote energy conservation and carbon reduction in order to reduce pollution for the company as long-term goals.
- ④ The company actively seeks cooperation channels for internet marketing.

(2) Production:

Continuously improve the production process, quality, process, with expanding the scope of automation and labor saving, in order to effectively control manpower and reduce production costs, to enhance product competitiveness. With small quantity diverse production processes capacity, as well as a high degree of quality self-inspection, migrate to high-end boutique customized market.

(3) Operating management:

- ① Strictly implement various structures and systems to make the company more institutionalized, efficient and profitable, and expand the company's market competitiveness
- ② Continue to develop various finished products of self-made processes in various stages, and develop new opportunities for different industries and customers.
- ③ Implement corporate governance, introduce outstanding local and abroad talents, and move toward the internationalization process.
- ④ Actively seek for an alliance of different industries and expand the scope of operations.

II. Analysis of the market as well as the production and marketing situation

(I) Market analysis

1. The geographic areas where the main products of the company

In Thousands of New Taiwan Dollars

geographic areas \ year	2017		2018	
	Amount	Percentage	Amount	Percentage
North America	4,218,932	86.67%	5,602,087	91.06%
Europe	491,799	10.10%	367,282	5.97%
Oceania	124,036	2.55%	154,740	2.52%
Africa	4,923	0.10%	7,556	0.12%
Asia	28,210	0.58%	20,352	0.33%
Total	4,867,900	100.00%	6,152,017	100.00%

2. Market share

The global outdoor leisure furniture industry has a wide range in definition, including general household and professional commercial outdoor leisure furniture, outdoor barbecue stoves, umbrellas, swings, garden decorations, and related accessories. According to 2018 Casual Living Market Research, it is estimated that the sales of the US outdoor leisure furniture industry retail market is around USD7.86 billion. The company's 2018 net operating income was USD204 million, accounting for approximately 2.59% of the above sales amount.

3. The demand and supply conditions for the market in the future and the market's growth potential

(1) The demand and supply conditions

① Supply conditions

There are a lot of manufacturers in the global outdoor leisure furniture industry, but most of them are small and medium-sized enterprises without production scale. The company is one of the few manufacturers with a certain production scale and sales capacity. SMEs have been integrated gradually. Due to difficulties in capital financing, higher environmental protection requirements and labor costs in China, China's suppliers have a decreasing trend. In addition, due to the adjustment of the national development direction and environmental protection policies in China, the current production standards for the relevant industries are varied, which also increases the difficulty of business operations in China. Therefore, the foreign retail industry has begun to look for production bases outside China to adjust the exposure in China. The establishment of the Vietnam factory is in line with this trend, and has attracted customers for becoming a strategic partner.

② Demand status

The global outdoor leisure furniture industry market is mainly dominated by European and American countries. According to the research and development unit, the annual global market size from 2004 to 2017 was about USD35 billion, and the annual sales volume has grown steadily. The global market size in 2018 has reached USD38 billion. The major market for the company is the US-Canada region, which is one of the most important markets in the world. As the global economy gradually stabilizes, the demand for outdoor leisure furniture market will continue to grow.

(2) Growth

The outdoor leisure furniture industry has a long history and has been a mature and stable growth industry. According to statistics from the research and development unit, it will grow at a growth rate of about 3% to 5% per year in the future. The global market size in 2018 has reached USD38 billion. It is estimated that it will reach about USD40 billion by 2019. The global economy has stepped forward and growing slowly. It is expected that the willingness to purchase outdoor leisure furniture will gradually increase as the economic situation becomes stable.

4. Competitive niche:

(1) Strong product development capabilities

The company has more than 40 years experiences in the outdoor leisure furniture market. As the company sells its products directly to the end customers, which is able to catch the

needs and preferences of consumers every year. Recently, the company's listed products are about 600 sets in the styles and colors per year, and the proportion of products that can be re-sold in the next year is only about 8% to 12%. Most of the products must be redeveloped. It is obvious that the company has strong product development capabilities, so it can gain a foothold and keep moving forward in this industry. In recent years, we have actively introduced digital development and 3D printing technology to improve and speed up development.

(2) Excellent and stable manufacturing capability

The company's production process architecture adopts vertical integration design, and the production line has completed the upstream and downstream consistent production process. About 9 million pieces of furniture have been produced in 2018. In addition, the company continues to step towards automation, via automation of production equipment, continuously improve the efficiency of the plant and the stability and improvement of product quality. Moreover, the scale of the company's current plant has reached the scale of economy, which may offer production competitive advantages of the company and enable growth for the company. The Vietnam factory has built and operated with a new production concept. With different production methods for traditional rattan products, the new operating mode has been recognized by most visiting customers. Therefore, the company believes that the new operating model can provide better productivity and higher quality products.

(3) Strong marketing services capability

The company has been facing the final sales channel customers for a long time. From the customer's point of view, fully understand the customer's market positioning, consumer group characteristics, consumption habits, price positioning, then tailor-make product types for them. Through long-term interaction with customers, the company has established a deep understanding and trust with customers and truly master the preferences of consumers and product trends. The company has an after-sales service center in the main sales market, which can instantly get into and handle various product issues. As mentioned, the relationship between the Company and its customers is quite stable, so the Company has covered all aspects of R&D, production, marketing and after-sales service.

(4) Excellent company reputation

For more than 40 years of development, the Company has accumulated quite intangible and tangible resources. Not only has good reputation among customers and suppliers, but also has considerable social credibility in the place where the company operates. Due to the above factors, the company can steadily provide stable and stable raw materials for its stable suppliers. Customers are willing to develop products and markets with the company. Employees are also willing to contribute to the growth of the company.

5. The positive and negative factors for future development, and the company's response to such factors:

(1) The positive factors

- ① The industry is matured and the consumer demand is growing steadily.
- ② The production capacity has reached economic scale and has strong competitiveness.
- ③ The relationship with customers has been long and stable.

- ④ The surrounding related industries are rich in resources and effectively reduce investment costs.
- ⑤ The economy in Southeast Asia is developing rapidly and providing a better production base.

(2) The negative factors and the company's response to such factors

- ① The labor cost has kept raising in China.

Counter measures:

The company continues in its lean production, organizing transformation, performance related pay, training multi-tasking, process improvement and automation, to increase per capita productivity, and achieve the goal of saving people and labor. In the end, the per capita income is raised, attracting excellent employees for long-term service, and the total amount of wages will be within a reasonable cycle. At the same time, all business units directly reflect the business performance through comprehensive budget and independent financial statement settlement, improve the management responsibility and enthusiasm of the management personnel and the cohesiveness of the entire company.

The company's production of rattan outdoor furniture in Vietnam requires a lot of labor and Vietnam's labor costs have advantages over the other regions. Companies can design more innovative and versatile rattan products to have more market share.

- ② The main sales markets are Europe and the United States and raw materials are purchased in the local countries (China and Vietnam), resulting in exchange rate risk.

Counter measures:

When the company quotes the product, first considers the long-term exchange rate as the basis of the quotation, and the financial department undertakes the forward foreign exchange contract DF and NDF with bank to avoid the exchange rate fluctuation risk between the RMB and the USD to ensure the sales profit.

The company's finance department monitors the international financial market and future exchange rate trends closely, and maintains close ties with a number of large banks, which provide the company's professional financial market information at any time to instantly and effectively respond to the exchange rate trend. The Company may use financial instruments for hedging purposes as needed. At the same time, the Company has strict financial instrument operating management methods, which can effectively reduce the Company's operational risks arising from exchange rate fluctuations.

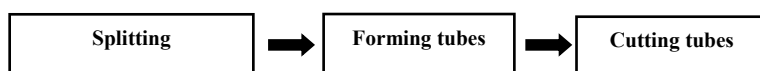
(II) Usage and manufacturing processes for the main products

1. Usage for the main products

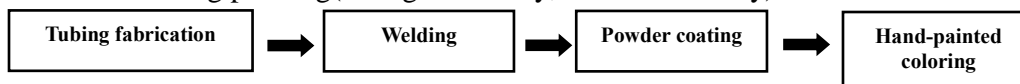
by product	Usage or applicable range
outdoor leisure furniture	Mainly used for home patios and terraces, outdoor urban public and commercial venues, or for outdoor recreation.

2. Manufacturing processes for the main products

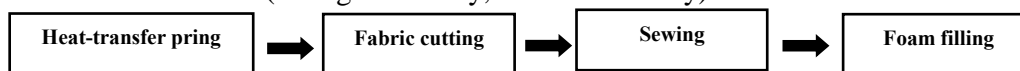
A. Steel pipe (Shanghai factory, Vietnam factory)



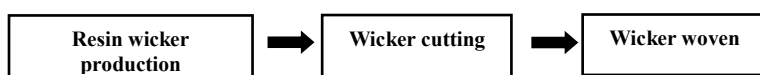
B Processing painting(Shanghai factory, Vietnam factory)



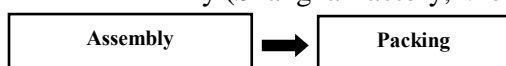
C. Home textile (Shanghai factory, Vietnam factory)



D. Weaving rattan(Vietnam factory)



E. Assembly (Shanghai factory, Vietnam factory)



(III) Supply situation for the major raw materials

major raw materials	major raw suppliers	supply status
steel	Shanghai Handan Iron and Steel; CSC Vietnam Co., Ltd.	good
paper	Shanghai Cheng Shun Asian Paper Co., Ltd. industry; Công ty cổ phần bao bì Tiến Thành	good
chemicals	NAN PAO-Noroo Paint&Coatings(Vietnam) Ltd. PPG Viet Nam	good
rattan	Zhejiang Hongbo	good

(IV) List of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each.

1. Information of major suppliers in either of the 2 most recent fiscal years

In Thousands of New Taiwan Dollars

Item	2017				2018				Quarter 1 of 2019			
	Name	Amount	Annual net purchase ratio(%)	With the issuer relationship	Name	Amount	Annual net purchase ratio(%)	With the issuer relationship	Name	Amount	Current net purchase ratio end of previous quarter(%)	With the issuer relationship
1	Manufacturer A	403,314	10.29	None	Manufacturer A	317,020	7.15	None	Manufacturer A	208,152	25.69	None
	Others	3,518,011	89.71		Others	4,115,055	92.85		Others	602,024	74.31	
	Net purchase	3,921,325	100.00		Net purchase	4,432,075	100.00		Net purchase	810,176	100.00	

Note 1: Name of the supplier with more than 10% of the total purchase amount in the last two years and the amount and proportion of the purchase. Due to the contractual agreement, the name of the supplier or the object of the transaction may not be disclosed as an individual and a non-relevant person.

Note 2: If, before the date of publication of the annual report of listed company, there is any financial data for the most recent period audited and attested or reviewed by a CPA, it shall also be disclosed therewith.

Reasons for the change: The decrease in the purchase amount of the manufacturer A is mainly due to the change in the purchase method of 2018 and the decrease in the inventory provided by the manufacturer A, resulting in a decrease in the purchase amount of 2018 compared to 2017.

2. Information of major clients in either of the 2 most recent fiscal years

In Thousands of New Taiwan Dollars

Item	2017				2018				Quarter 1 of 2019			
	Name	Amount	of annual net sales ratio(%)	With the issuer relationship	Name	Amount	of annual net sales ratio(%)	With the issuer relationship	Name	Amount	of current net sales ratio end of previous quarter(%)	With the issuer relationship
1	Customer A	1,673,492	34.38	None	Customer A	1,934,970	31.45	None	Customer A	851,052	32.13	None
2	Customer B	323,743	6.65	None	Customer B	682,592	11.10	None	Customer B	18,214	0.69	None
	Others	2,870,665	58.97		Others	3,534,455	57.45		Others	1,779,452	67.18	
	Net sales	4,867,900	100.00		Net sales	6,152,017	100.00		Net sales	2,648,718	100.00	

Note 1: Name of the customer with more than 10% of the total sales amount in the last two years and the amount and proportion of the sales. Due to the contractual agreement, the name of the sales or the object of the transaction may not be disclosed as an individual and a non-relevant person.

Note 2: If, before the date of publication of the annual report of listed company, there is any financial data for the most recent period audited and attested or reviewed by a CPA, it shall also be disclosed therewith.

Reasons for the change: The sales amount of customer A increased, the sales in the current period increased compared with the same period of last year, mainly due to the higher unit price of the products sold this year.

The sales amount of customer B increased, the sales in the current period increased compared with the same period of last year. The sales volume of the rattan products increased, and when it was just established, it was sold at a lower price for the expansion of the market. The unit price of the adjusted price was higher this year, resulting in an increase in income.

(V) Indication of the production quantity for the 2 most recent fiscal years

Unit: PCS; In Thousands of New Taiwan Dollars

Production year Quantity value Major product or by department	2017			2018		
	capacity	production quantity	production value	capacity	production quantity	production value
	Leisure furniture	6,903,060	4,013,613	3,939,981	7,045,285	4,033,084
Leisure furniture parts	486,667	269,957	67,625	502,079	147,124	140,814
Others	166,667	7,250	3,991	166,667	1,764	3,099
Total	7,566,394	4,290,820	4,011,597	7,714,031	4,181,972	4,780,759

Note 1: Capacity refers to the quantity that can be produced under normal operation after the company has measured the needed shutdown, holidays, etc., using existing production equipment.

Note 2: While the production of each product is substitutable, production capacity may be calculated combined with note.

(VI) Indication of the volume of units sold for the 2 most recent fiscal years

Unit: PCS; In Thousands of New Taiwan Dollars

Sales year Quantity Value Major product or by department	2017				2018			
	Import		export		Import		export	
	quantity	value	quantity	value	quantity	value	quantity	value
Leisure furniture	0	0	4,535,685	4,688,829	0	0	5,354,056	6,037,976
Leisure furniture parts	0	0	448,370	178,122	0	0	206,905	104,502
Others	0	0	(Note 1)	949	0	0	(Note 1)	9,539
Total	0	0	(Note 2)	4,867,900	0	0	(Note 2)	6,152,017

Note 1: No sales are listed due to different units.

Note 2: No summed up due to different units.

III. The information of employees employed for the 2 most recent fiscal years

March 31, 2019

fiscal years		2017	2018	as of March 31, 2019 (Note)
Employees number	manager	20	18	18
	direct staff	2,885	2,748	2,446
	indirect staff	804	824	790
	total	3,709	3,590	3,254
Average age		33.34	35.21	35.31
average Service year		2.87	3.27	3.52
Academic distribution ratio	Ph.D.	0	0	0
	Master	6	7	5
	college	399	419	427
	high school	334	468	453
	Below high school	2,970	2,696	2,369

Note: The annual data for the year ending on the date of publication of the annual report should be filled out.

IV. Disbursements for environmental protection

- (I) The total losses (including damage awards) and fines for environmental pollution for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report, and an explanation of the measures (including corrective measures) and possible disbursements to be made in the future (including an estimate of losses, fines and compensation resulting from any failure to adopt responsive measures, or if it is not possible to provide such an estimate, an explanation of the reason why it is not possible): N/A.
- (II) According to laws and regulations if it is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made: Not applicable.
- (III) Setting forth the company's investment on the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced:

1. Keysheen Industry (Shanghai) Co., Ltd

March 31, 2019, In Thousands of New Taiwan Dollars

facility name	Quantity	acquired date	investment cost	Unreduced balance	Usage and expected effects
Sewage treatment station	2	2002/12	670.80	197.89	sewer and sewage treatment equipment
Sewage treatment station		2003/03	2,295.70	703.12	sewer and sewage treatment equipment
Painting sewer and sewage treatment	1	2003/12	4,924.27	0	sewer and sewage treatment equipment
Painting sewer and sewage treatment engineering	1	2004/01	868.99	0	sewer and sewage treatment equipment
Dust collector	2	2003/12	673.64	0	air pollution control equipment
Welding exhaust water curtain dust removal	1	2007/03	33.62	3.36	air pollution control equipment
Grinding dust removal system	1	2010/10	1,727.27	0	air pollution control equipment

Welding exhaust system	2	2010/10	2,993.93	0	air pollution control equipment
Welding exhaust system		2010/12	3,612.52	0	air pollution control equipment
Smoke dust process engineering	1	2017/04	1,089.33	801.75	air pollution control equipment
Electrostatic photolysis lampblack purifier	1	2018/01	282.08	258.81	air pollution control equipment

2. Keysheen Vietnam Ltd.

March 31, 2019, In Thousands of New Taiwan Dollars

facility name	Quantity	acquired date	investment cost	Unreduced balance	Usage and expected effects
New chemical storage area/ Recycling area	1	2018/11	945	841	Enhance securities in chemical storage area/ Recycling area

V. Labor relations

(I) The employee benefits plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests:

1. The employee benefit plans: There are labor unions in Keysheen Industry (Shanghai) Co., Ltd and Keysheen Vietnam Ltd. Members elected through employee elections. Representing the labor union committee in all matters, handling various employee welfare matters and labor relations. In addition, the company pays relevant staff insurance and other expenses according to the local laws and regulations of the locality of the company.

List of employee benefit plans:

content	Description
Insurance and retirement	According to the local government regulations, pay related insurance and labor insurance, health insurance, group insurance, pension reserve, etc. for medical care, unemployment, life insurance, childbirth and work injury.
Profit sharing	Salaries and wages, employee incentive, etc.
Health insurance	Conduct a health check before a job, and conduct a special medical examination for a specific occupation. The Vietnamese subsidiary has a medical room and employs qualified medical staff.
Activity	The company held large-scale evening parties, domestic and international tour, annual meetings, etc., and occasional gatherings and skill competitions.
Emergency relief aid	Grants based on special circumstances of employees.
Other benefits	Performance bonuses, special awards, festive gifts, birthday celebrations, seasonal drinks, etc. are issued according to the operation status.
Facility	Staff restaurant, employee welfare agency, staff quarters, parking spaces, etc.

2. Employee behavior and ethics code: The Company's "Employee Handbook" specifies the code of conduct for the employee code of conduct.

In order to make the employees' behavior be ethical, the company approved the Ethical code of conduct on March 16, 2012, requiring all employees to comply with the company's quality culture. And the related contents have disclosed under the "Corporate Governance" of the company's website investor area for shareholders' enquiries.

3. The status of continuing education and training:

(1) In addition to regular internal education training courses, the company regularly participates in educational training courses of external professional training institutions to enhance staff skills and management knowledge, thereby creating the overall interests of the company and its employees.

(2) The results of the company's recent annual education training are as follows:

Course	Total number of people	Total number of hour	Total expense(thousand NTD)
orientation	2,211	12,196	966
on-the-job professional training,	326	4,290	179
labor safety	865	865	118
occupational safety	175	1,400	42
fire drill	3,540	2,719	115
first aid training	50	400	16
evacuation training	3,142	1,570	112
Quality education training	3,560	56,960	0
Weaving education training	3,560	85,440	0
Total	17,429	165,840	1,548

(3) With the rapid changes in the environment, the concept of the Global Village has penetrated into the Asia-Pacific region, in order to bring the core management and R&D team of the Group to link with the world in concepts. In addition to strengthening international leadership and leadership training in the future years, foreign participation activities will be arranged. Through the combination of theory and practice, the core staff of the Group will have an international business theory to ensure the company's international competitiveness.

(4) Information of financial related personnel obtain the relevant license specified by the competent authority: none.

(5) 2018 manager continuing education is as follows:

Title	Name	Assuming Date	continuing education date		Organizer	class title	continuing education hour
			from	to			
General manager	LIU I-HSIAO	June 1, 2015	April 11, 2018	April 11, 2018	Taiwan Academy of Banking and Finance	Forum of Corporate Governance- Heritage of Family Business	3 hours
			September 28, 2018	September 28, 2018	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Management Workshop	3 hours
Production Center Chairman	LIU HSIN-TSU	May 16, 2011	December 19, 2018	December 19, 2018	Securities and Futures Institute	Corporate Governance and Operation of the Board of Directors	3 hours
			December 19, 2018	December 19, 2018	Securities and Futures Institute	Tips for directors and supervisors to interpret financial information	3 hours
Executive director of sales center	LIU TSU-KUN	January 1, 2016	December 19, 2018	December 19, 2018	Securities and Futures Institute	Corporate Governance and Operation of the Board of Directors	3 hours
			December 19, 2018	December 19, 2018	Securities and Futures Institute	Tips for directors and supervisors to interpret financial information	3 hours
assistant general managers and supervisor of finance and accounting department	CHEN YUNG-LUNG	January 1, 2016	April 23, 2018	April 24, 2018	Accounting Research and Development Foundation	Accounting supervisor continuing education by Taiwan Stock Exchange	12 hours
			June 13, 2018	June 13, 2018	Accounting Research and Development Foundation	“Communication in Key Audit Matter” content, impact and response analysis	3 hours
			June 13, 2018	June 13, 2018	Accounting Research and Development Foundation	Analysis of the latest securities financial taxation laws and professional standards	one hour
			June 21, 2018	June 22, 2018	Accounting Research and Development Foundation	Accounting supervisor continuing education by Taiwan Stock Exchange	12 hours
			July 18, 2018	July 18, 2018	Accounting Research and Development Foundation	Analysis of International Accounting Standards #36 “reversal of impairment” (IAS36)	3 hours
			July 18, 2018	July 18, 2018	Accounting Research and Development Foundation	Analysis of the latest securities financial taxation laws and professional standards	one hour

4. The retirement systems and the status of implementation: The pension system of the “Labor Pension Act” applied by the Company and Samoa Creative Courtyards International Limited Taiwan Branch is a defined retirement plan managed by the Government of the Republic of China. A pension of 6% of the employee's monthly salary is paid to the individual account of the Bureau of Labor Insurance. The pension fee recognized by the Company in the Republic of China on 2018 is NTD1.039 million.

The post-retirement pension insurance for employees in China of subsidiary-Keysheen Industry (Shanghai) Co., Ltd., pays the post-retirement insurance for employees according to the local laws and regulations of the company.

The post-retirement pension insurance for employees in Vietnam of subsidiary- Keysheen Vietnam Ltd. pays the unemployment insurance for employees according to the local laws and regulations of the company.

5. The status of labor-management agreements and measures for preserving employees' rights

and interests:

Labor relations have been one of the direction of the company's efforts, and the relationship between employers and employees has been maintained in harmony. There are neither labor disputes nor losses incurred since established so far. The other employee rights maintenance measures are in compliance with the relevant laws and regulations.

6. Work environment and employee personal safety protection measures and implementation status:

(1) It is important in view of the working environment and the personal safety protection measures of employees. Conducting major environmental considerations/occupational safety and health risk control with ISO 14001 management system. Use target and project management to prioritize improvements. The lower risk is controlled by the operation control method. After improvement via good operation, both have achieved significant results and control. The company's major goals and management plans are summarized as follows:

Number	Target/ object	proposal	current status	Execution status
1	Deep optimization of safety hazards.	Industrial safety standardization operating plan.	Non-standard operations such as fire-fighting equipment in shop, electrical equipment, mechanical equipment, and chemical use in the workshop create safety hazards for safe production.	Formulate safety production standardization operating plan, inspect, rectify, rectify the occurrence of safety hazards, and implement the safety production responsibility system.
2	Air compressor circulation water pipe optimization.	Air compressor circulation water pipe leak recovery plan	The original air compressor circulating water pipe adopts galvanized pipe, which has poor corrosion resistance and serious water leakage for a long time.	The original circulating water pipe leakage section is eliminated, and new water pipes are used from the water source point to the water point to reduce water waste.
3	Improve waste sorting and improve waste disposal efficiency	Industrial waste and domestic garbage classified and handled separately.	The original industrial waste and domestic garbage are piled up in a centralized manner and the commissioner is classified and scattered.	The garbage source generation control classification in shop of the factory area, the industrial waste and the domestic garbage are divided and stored, and the garbage has comprehensively processed. Improve waste disposal capacity, reduce environmental pollution and disposal costs.
4	Optimize the management of smoking areas and reduce disasters.	Factory smoking control management program.	The smoking area is in a disorderly environment and the control of smoking areas is not standardized, which poses a safety hazard to safe production.	Reasonable layout of smoking areas, management, maintenance and implementation of responsibility system to reduce accidents.

5	Optimize hazardous waste treatment and effectively treat all types of waste.	Strictly control the sources of general waste and hazardous waste, enhance the storage space for hazardous waste and emergency treatment space, and improve the handling capacity of handling and emergency accidents.	The original hazardous wastes are stored in separate storage and the emergency treatment facilities are in simple set up. There are security risks to the environment and emergency treatment.	Hazardous waste storage points increase or decrease the corresponding waste storage pools according to laws and regulations, increase the emergency diversion trenches reasonably, and improve emergency treatment capacity.
6	Electric energy heat pumps replace diesel boilers to reduce emissions of CO ₂ and nitrogen oxides.	The air source heat pump process replaces the diesel boiler to heat the constant temperature of the treatment tank before painting.	The pre-hot-washing, pre-washing before pre-painting and main de-washing tanks are heated by a diesel boiler process, and the diesel fuel produces nitrogen oxides, which causes air pollution to the company's environment.	The thermal energy air source heat pump process is used to replace the existing diesel boiler, and the pre-painting treatment tank is heated and reduce atmospheric pollution.
7	Dust control meets environmental requirements.	The welding dust has used water curtain to remove the dust.	The original straight dust removal plan has an impact on the environment or employee health.	The welding and grinding dust is discharged after dust removal by water curtain, and the dust treatment amount is about 1500 m ³ /min.
8	Prevent the occurrence of occupational diseases, protect the legitimate rights and interests of occupational diseases, and increase labor productivity.	Occupational health management rules.	No classified management of special systems and comprehensive management.	Occupational health hazard inspection in the workplace and rectification of the site. Security group unified data archive for query and supervision.

(2) Follow-up on environmental and occupational safety and health promotion activities

1. Implement environmental risk emergency plan

The company's environmental equipment facilities have gradually improved, chemical warehouse storage specifications are improved, and pollution sources generated by on-site chemical use are reduced. Improve the storage space of hazardous waste, rationally store and dispose of hazardous waste to reduce environmental pollution caused by waste. Enhance emergency response capability for accidents, increase emergency guiding trenches and emergency accident pools, and improve sources of pollution to reduce property losses caused by accidents.

2. Promote clean production technology

The company fully utilizes resources and effectively reduces waste and production costs, in addition to improving process and operation management to increase recycling and reduce waste generation. On the other hand, the development and selection of non-polluting and low-pollution processes to reduce waste.

3. Enhanced waste sorting plan

With reference to the garbage classification standard, the waste classification system was implemented in the key business unit of the company, Keysheen Industry (Shanghai) Co., Ltd., and a garbage baler was added to pack and dispose of all kinds of garbage, so as to make a part of the global environmental protection and reduce Garbage clearance freight, increase recycling revenue.

4. Strengthen the self-inspection of job posts

When employees face different working environments, processes, operations and operations that may cause physical injury due to unsafe work, equipment or management. The company strengthened the automatic inspection of job positions, found potential hazards and actively improved and effectively controlled. Automatic inspection of jobs includes equipment, raw materials use, operating environment, work machinery, and motor vehicles. Among them, the equipment includes high pressure gas specific equipment, second pressure vessel, local exhaust, high and low voltage electrical equipment, etc. The machinery includes stacker, lift, general vehicle, pipe production machine, pipe cutting machine, automatic welding machine, pipe bending machine, punching machine, etc.

5. Implement coating dust collection and cleaning

The company actively responds to the requirements of environmental protection and environmental laws and regulations, and reforms the explosion-proof and exhaust gas dust of the dust spray line in the paint shop. Strictly controls the occurrence of dust explosion accidents, improve the working environment and timely collects and cleans up dust to reduce air pollution emissions and makes a contribution to the global environmental protection...etc.

(II) Any loss sustained as a result of labor disputes in the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report: N/A.

Any loss sustained as a result of labor disputes discloses an estimate of losses incurred or likely to be incurred in the future, and indicate mitigation measures being or to be taken: The company has always been committed to harmonious labor relations, so there is no major loss due to labor disputes.

VI. Important contracts

Contract type	Party	Curation of contract Date	Major content	Restriction terms
Line of credit contract	CTBC Bank	2018.05.29-2019.05.31	The bank line of credit contract of Courtyard Creations Inc.	None
Line of credit contract	Citi Bank	2018.12.20-2019.12.30	The bank line of credit contract of Courtyard Creations Inc.	None
Line of credit contract	Taipei Fubon Bank	2018.04.30-2019.03.31	The bank line of credit contract of Courtyard Creations Inc.	None
Line of credit contract	E. Sun Bank	2018.04.30-2019.03.27	The bank line of credit contract of Courtyard Creations Inc.	None
Line of credit contract	CTBC Bank	2018.05.29-2019.05.31	The bank line of credit contract of Creative Courtyards International Limited and Samoa Creative Courtyards International Limited Taiwan Branch	None
Line of credit contract	CTBC Bank	2018.03.01-2021.03.31	The mid-term bank line of credit contract of Creative Courtyards International Limited	None
Line of credit contract	Citi Bank	2018.12.20-2019.12.30	The bank line of credit contract of Creative Courtyards International Limited and Samoa Creative Courtyards International Limited Taiwan Branch	None
Line of credit contract	E. Sun Bank	2018.04.30-2019.03.27	The bank line of credit contract of Creative Courtyards International Limited and Samoa Creative Courtyards International Limited Taiwan Branch	None
Line of credit contract	Taipei Fubon Bank	2018.04.30-2019.03.31	The bank line of credit contract of Creative Courtyards International Limited and Samoa Creative Courtyards International Limited Taiwan Branch	None
Line of credit contract	CTBC Bank	2016.12.23-2019.12.22	The mid-term bank line of credit contract of Sinture Holding Ltd.	None
Line of credit contract	CTBC Bank	2017.06.15-2020.05.31	The mid-term bank line of credit contract of Sinture Holding Ltd.	None
Line of credit contract	CTBC Bank	2018.05.29-2019.05.31	The line of credit contract of Keysheen(Cayman)Holdings Co., Limited	None
Line of credit contract	Taipei Fubon Bank	2018.04.30-2019.03.31	The line of credit contract of Keysheen(Cayman)Holdings Co., Limited	None

Line of credit contract	E. Sun Bank	2018.04.30-2019.03.27	The line of credit contract of Keysheen(Cayman)Holdings Co., Limited	None
equipment contract	Lianxin Plastic Machinery	2018.06.08-2019.06.30	The rattan synthetic extruder equipment of Keysheen Vietnam Ltd.	None
Construction contract	CHIEN HUONG BUILDING AND TRADING „JSC	2018.03.01-2019.03.01	The saponification pool of Keysheen Vietnam Ltd.	None
equipment contract	REVOTEK	2018.09.01-2019.09.01	The monitoring system of the plant Keysheen Vietnam Ltd.	None
equipment contract	CHIEN HUONG BUILDING AND TRADING „JSC	2018.09.02-2019.09.02	The four overhead travelling crane of the plant of Keysheen Vietnam Ltd.	None
equipment contract	KIM THUAN PHAT ELECTRIC EQUIPMENT CO.,LTD	2018.07.16-2019.07.16	The Suspension line / conveyor belt of Keysheen Vietnam Ltd.	None

Six. Overview of financial status

I. The condensed balance sheet and statement of comprehensive income information for the most recent 5 fiscal years

(I) Condensed balance sheets

In Thousands of New Taiwan Dollars

year item		summary financial data for the most recent 5 fiscal years (Note 1)					as of March 31, 2019 financial data (Note 3) (Note 6)
		2014	2015	2016	2017	2018	
current assets		4,676,664	5,326,334	4,249,991	5,028,345	5,652,065	4,449,596
Property, plants and equipment (Note 2)		1,990,623	1,706,042	1,550,904	1,798,232	1,833,550	1,809,770
Intangible Assets		29,166	25,749	25,830	25,363	21,588	23,936
other assets (Note 2)		223,072	279,129	348,366	334,595	320,001	376,228 (Note 8)
total assets		6,919,525	7,337,254	6,175,091	7,186,535	7,827,204	6,659,530
current liabilities	Before distribution	2,425,299	2,676,991	1,262,655	2,741,083	3,375,744	2,092,106
	After distribution	2,584,727	3,052,331	1,679,699	2,777,574	3,375,744 (Note 7)	-
Non-current liabilities		196,988	209,816	266,339	310,093	455,945	321,390
total liabilities	Before distribution	2,622,287	2,886,807	1,528,994	3,051,176	3,831,689	2,413,496
	After distribution	2,781,715	3,262,147	1,946,038	3,087,667	3,831,689 (Note 7)	-
Equity attributable to owners of the parent		4,297,238	4,450,447	4,646,097	4,135,359	3,995,515	4,246,034
Share capital		1,062,850	1,042,610	1,042,610	1,042,610	1,042,610	1,042,610
Capital surplus		2,293,108	2,197,309	2,113,900	2,113,900	2,113,900	2,113,900
Retained earnings	Before distribution	455,307	771,374	1,330,256	958,270	871,462	1,038,679
	After distribution	349,022	479,443	913,212	921,779	871,462 (Note 7)	-
Other equity		485,973	439,154	159,331	20,579	(32,457)	50,845
Treasury stock		-	-	-	-	-	-
Non-controlling interests		-	-	-	-	-	-
equity total amount	Before distribution	4,297,238	4,450,447	4,646,097	4,135,359	3,995,515	4,246,034
	After distribution	4,137,810	4,075,107	4,229,053	4,098,868	3,995,515 (Note 7)	-

*If only the parent company has financial statements made, only the condensed balance sheets and statements of the parent company's comprehensive income for the past 5 fiscal years have to be made.

Note1: The year financial statement not certified by a CPA have to be noted.

Note2: Those who have applied for asset revaluation in the year should include the date of processing and the value of the revaluation.

- Note3: If, before the date of publication of the annual report of listed company, there are any financial data for the most recent period audited and attested or reviewed by a CPA, it shall also be disclosed therewith.
- Note4: when mentioned after distribution, please fill in the situation according to the resolution of the shareholders meeting of the next year.
- Note5: For those who have been notified by the competent authority to revise their financial information or make the corrections by themselves, all the figures/numbers used shall be the revised or corrected ones, and the status and reasons for such revision shall be noted.
- Note6: The consolidated financial reports for March 31, 2019, audited and attested by CPAs.
- Note7: The Company's 2018 earnings distribution plan was not approved at the 2019 shareholders' meeting. The after distribution amount listed is same as before distribution amount.
- Note 8. The amount of other assets on March 31, 2008, includes the right to use assets.

(II) Condensed statements of comprehensive income

In thousands of NTD, except earnings(deficits) per share

fiscal year item	summary financial data for the most recent 5 fiscal years (Note 1)					a s o f March 31, 2019 (Note 2) (Note 5)
	2014	2015	2016	2017	2018	
Operating income	6,426,357	5,880,350	4,816,831	4,867,900	6,152,017	2,648,718
Gross profit	1,305,109	1,685,104	1,400,490	1,139,010	1,249,528	564,208
Operating income	176,331	562,436	405,657	127,789	134,699	258,563
Non-operating income and expenditure	(181,404)	149,315	945,916	30,668	(60,806)	(12,926)
Profit before tax	(5,073)	711,751	1,351,573	158,457	73,893	245,637
from Continuing Operation	(19,415)	452,421	850,813	45,058	(50,317)	167,217
Net income						
Loss from Discontinued Operations	-	-	-	-	-	-
Net income(loss)	(19,415)	452,421	850,813	45,058	(50,317)	167,217
other comprehensive income and expenses net operating profit after tax	142,458	(46,819)	(279,823)	(138,752)	(53,036)	83,302
Total comprehensive income and expenses	123,043	405,602	570,990	(93,694)	(103,353)	250,519
Comprehensive income attributable to owners of the parent	(19,415)	452,421	850,813	45,058	(50,317)	167,217
Comprehensive income attributable to non-controlling interests	-	-	-	-	-	-
Comprehensive income attributable to owners of the parent	123,043	405,602	570,990	(93,694)	(103,353)	250,519
Comprehensive income attributable to non-controlling interests	-	-	-	-	-	-
Earnings Per Share	(0.18)	4.28	8.16	0.43	(0.48)	1.60

*If only the parent company has financial statements made, only the condensed balance sheets and statements of the parent company's comprehensive income for the past 5 fiscal years have to be made.

Note 1: The year financial statement not certified by a CPA have to be noted.

Note 2: If, before the date of publication of the annual report of a listed company, there is any financial data for the most recent period audited and attested or reviewed by a CPA, it shall also be disclosed therewith.

Note 3: Loss from Discontinued Operations listed the net amount deducted tax.

Note 4: For those who have been notified by the competent authority to revise their financial information or make the corrections by themselves, all the figures/numbers used shall be the revised or corrected ones, and the status and reasons for such revision shall be noted.

Note 5: The consolidated financial reports for March 31, 2019, audited and attested by CPAs.

(III) Showing the name of the certified public accountant and the auditor's opinion given thereby for the past 5 fiscal years.

fiscal year	Name of the certified public accountant firm	the certified public accountant	Opinion
2018	Deloitte and Touche Taipei, Taiwan	KUO NAI-HUA; LEE LI-HUANG	Unqualified opinion
2017	Deloitte and Touche Taipei, Taiwan	LIN YI-HUI; LEE LI-HUANG	Unqualified opinion
2016	Deloitte and Touche Taipei, Taiwan	HSIEH MING-CHUNG ; LEE LI-HUANG	Unqualified opinion
2015	Deloitte and Touche Taipei, Taiwan	CHEN HUI-MING; HSIEH MING-CHUNG	Unqualified opinion
2014	Deloitte and Touche Taipei, Taiwan	CHEN HUI-MING; HSIEH MING-CHUNG	Unqualified opinion

II. Consolidated analysis of the financial data for the most recent 5 fiscal years

Year (note 1)		analysis of the financial data for the most recent 5 fiscal years					a s o f March 31, 2 0 1 9 (Note 2) (Note 8)
		2014	2015	2016	2017	2018	
Analysis item (note 3)							
Financial structure (%)	Debt Ratio	37.89	39.34	24.76	42.45	48.95	36.24
	Ratio of long-term funds to property, plants and equipment	225.76	273.16	316.74	247.21	242.77	252.37
Solvency(%)	Current Ratio	192.82	198.96	336.59	183.44	167.43	212.68
	Quick Ratio	115.94	147.32	219.90	114.97	118.91	173.33
	Interest coverage ratio	0.46	117.91	324.57	39.57	2.76	16.48
Operating ability	Receivables Turnover Ratio(count)	6.23	5.22	4.20	3.86	3.56	4.80
	Average collection days	58.58	69.92	86.90	94.55	102.52	76.04
	Inventory Turnover(count)	2.60	2.62	2.42	2.25	2.82	7.32
	Account payable turnover rate(count)	5.81	4.66	5.17	4.94	5.84	11.07
	Average days in sales	140.38	139.31	150.82	162.22	129.43	49.86
	Property, plants, and equipment turnover rate(count)	3.09	3.18	2.95	2.90	3.38	5.81
	Total assets turnover(count)	0.90	0.82	0.71	0.72	0.81	1.46
Profitability	Return on assets (%)	(0.14)	6.43	12.65	0.73	(0.11)	2.52
	Return on equity (%)	(0.44)	10.34	18.71	1.03	(1.24)	4.05
	Profit before tax to paid-up capital %(Note 7)	(0.47)	68.26	129.63	15.19	7.08	23.55
	Profit margin(%)	(0.30)	7.69	17.66	0.92	(0.81)	6.31
	Earnings Per Share (\$)	(0.18)	4.28	8.16	0.43	(0.48)	1.60
Cash flows	Cash flow ratio(%)	50.99	43.35	(22.80)	(9.71)	(9.95)	45.23
	Cash flow adequacy ratio(%)	67.51	96.09	70.07	53.23	47.18	39.99
	Cash re-investment ratio(%)	15.72	14.51	(10.15)	(11.11)	(5.93)	14.59
Degree of leverage	Degree operating leverage	7.40	3.00	3.45	8.91	9.28	2.18
	Degree financial leverage	1.06	1.01	1.01	1.03	1.45	1.07

Explain changes in financial ratios over the past 2 fiscal years. If the increase or decrease is less than 20%, it can be exempted from analysis.

- I. Interest coverage ratio decrease: Mainly due to the increase in interest expenses and the decrease in the pre-tax profit of the current period compared with the previous period.
- II. Inventory turnover increase: Mainly due to the increase in the cost of raw materials in the current period.
- III. Average days in sales decrease: Mainly due to the increase in average stocks of 2018 compared to 2017.
- IV. Return on assets decrease: Mainly due to the increase in net loss and interest expenses after tax for the current period.
- V. Return on equity decrease: Mainly due to the increase in non-operating expenses during the period, resulting in net loss after taxation for the current period.
- VI. Profit before tax to paid-up capital decrease: Mainly due to the increase in non-operating expenses during the period, resulting in a decrease in pre-tax benefits.
- VII. Profit margin decrease: Mainly due to the increase in non-operating expenses during the period, resulting in a net loss after-tax.
- VIII. Earnings Per Share decrease: Mainly due to the increase in non-operating expenses during the period, resulting in a net loss after-tax.
- IX. Cash re-investment ratio: Mainly due to the increase in cash outflows from operating activities.
- X. Degree operating leverage decrease: Mainly due to the increase in interest expenses during the period.

*If the parent company only has financial statements made, only the financial ratio analysis of the parent company has to be made.

Note 1: The year financial statements not certified by a CPA have to be noted.

Note 2: If, before the date of publication of the annual report of a listed company, there is any financial data for the most recent period audited and attested or reviewed by a CPA, it shall also be disclosed therewith.

Note 3: At the end of the annual report, the following formula should be listed:

1. Financial structure

(1) Debt Ratio = total liabilities / total assets

(2) Ratio of long-term funds to property, plants, and equipment = (total equity + Non-current liabilities) / net value of property, plants, and equipment

2. Solvency

(1) Current Ratio = current assets / current liabilities

(2) Quick Ratio = (current assets – inventory – prepayment) / current liabilities

(3) Interest coverage ratio = net income before interest expenses, taxation / interest expenses

3. Operating ability

(1) Receivables (including account receivables and note receivable generated from operation) turnover ratio = net sales / average of each receivables (including account receivables and note receivable generated from operation) balance

(2) Average collection days = 365 / Receivables Turnover Ratio

(3) Inventory Turnover = cost of goods sold / average inventory amount

(4) Payables (including account payables and note payable generated from operation) turnover ratio = cost of goods sold / average of each payables (including account payables and note payable generated from operation) balance

(5) Average days in sales = 365 / inventory Turnover

(6) Property, plants and equipment turnover rate = net sales / average of property, plants and equipment net amount

(7) Total assets turnover = net sales / average total assets

4. Profitability

(1) Return on assets = [earnings (loss) after tax + interest expenses*(1-tax rate)] / average total assets

(2) Return on equity = earnings (loss) after tax / average total equity

(3) Profit margin = earnings (loss) after tax / net sales

(4) Earnings Per Share = (income attributable to non-controlling interests - preferred shares dividends) / weighted average number of shares outstanding (Note 4)

5. Cash flows

(1) Cash flow ratio = net cash flows from operating / current liabilities

(2) Net cash flow adequacy = net cash flows from operating for the most recent 5 fiscal years / (capital expenditure + incremental in inventory + cash dividend) for the most recent 5 fiscal years

(3) Cash re-investment ratio = (net cash flows from operating - cash dividend) / (gross amount of property, plants, and equipment + long term investments + other non-current assets + working capital) (Note 5)

6. Degree of leverage:

(1) Degree operating leverage = (net operating income - operating variable costs & expenses) / operating profit (Note 6)

(2) Degree financial leverage = operating profit / (operating profit – interest expense)

Note 4: The formula for calculating the earnings per share should pay attention to the following:

1. Shares are based on the weighted average number of common shares, not the number of shares outstanding at the end of the year.
2. For those who have cash increase or treasury share transactions, it should consider the circulation period and calculate the weighted average number of shares.
3. If shares are distributed in connection with a capital increase out of earnings or capital reserve, when calculating the earnings per share for the previous year and the semi-annual period, should be retrospectively adjusted according to the proportion of capital increase, and there is no need to consider the issue period of the capital increase.
4. If the preferred shares are a non-convertible accumulative preferred shares, its annual dividend (whether or not it is paid) shall be deducted from net profit after tax or increase the net loss after tax. If the preferred shares are non-cumulative, in the case of net profit after tax, the preferred shares dividend shall be deducted from the net profit after tax; if it is a loss, it shall not be adjusted.

Note 5: The cash flow analysis should pay special attention to the following items when measuring:

1. Net cash flow from operating refers to the net cash inflows from operating in the cash flow statement.
2. Capital expenditure refers to the amount of cash outflows per year of capital investment.
3. The increase in inventory is only included when the ending balance is greater than the opening balance. If the inventory is reduced at the end of the year, it is calculated as zero.
4. Cash dividends include cash dividend for common stock and preferred shares.
5. Gross amount of property, plants, and equipment refers to the total amount of property, plants, and equipment before deducting accumulated depreciation.

Note 6: The issuer shall classify various operating costs and expenses into fixed and variable terms according to their nature. If there is any estimation or subjective judgment, it should be paid attention to the rationality and maintain consistency.

Note 7: If the company stock has no denomination or the denomination is not NT\$10, the calculation of the said paid-in capital ratio shall be calculated based on the equity ratio of the owner of the parent company.

Note 8: The consolidated financial reports for March 31, 2019, audited and attested by CPAs.

III. The supervisors' audit review report on financial statements of the most recent year's financial report

The supervisors' audit review report

The board of directors shall submit the company 2018 business report, consolidated financial statements, and proposal for distribution of earnings, etc. The Company's 2018 Financial Statements were audited with audit report by independent auditors, Kuo Nai-Hua, Lee Li-Huang of Deloitte & Touche. The aforementioned Business Reports and Financial Statements were reviewed by the Supervisors with no comment. According to Article 219 of the Company Act, we hereby submit this report. For your honor's approval.

Regards,

Keysheen (Cayman) Holdings Co., Limited
2019 Annual General Shareholders' Meeting

Supervisor: Lai Wu-Lang

Supervisor: Hu Jing-Ming

Supervisor: Chen I-Tai

March 21, 2019

IV. The most recent year's financial report

Independent Auditors' Report

The Board of Directors and Shareholders Keysheen (Cayman) Holdings Co., Limited:

Opinion

We have audited the accompanying consolidated financial statements of Keysheen (Cayman) Holdings Co., Limited and its subsidiaries (collectively referred to as the Group), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by the Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Keysheen Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial

statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2018 are stated as follows:

Keysheen Group's sales revenue in 2018 totaled \$6,152,017,000. The sales revenue of the main sales customers was \$1,934,970,000, accounting for 31% of the total sales revenue, and the revenue was most relevant to operational performance. Based on the significance and the auditing standards generally accepted in the Republic of China, the recognizing revenue is presumed to be a significant risk, and it is significant whether the impact of its income on the financial statements is significant. Therefore, we listed the authenticity of sales revenue from major sales customers as a key audit matters.

Corresponding audit procedures

Our key audit procedures performed with respect to the above area include the following:

1. Understand the revenue recognition internal control procedures and test whether or not their internal controls are effective.
2. For the income transactions of major customers, check the corresponding accounting vouchers, shipping certificates, and receipt vouchers.
3. The end-of-year test of the main customer revenue recognition and shipping documents around year end is carried out to assess whether or not the recognized control of the commodity has been transferred.
4. Analyze the rationality of major customer changes in the current period and the same period last year.

Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the guidelines issued by the competent authority, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the Supervisor, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether or not the consolidated financial statements as a whole are free from material misstatements, whether or not due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte and Touche Taipei, Taiwan

Auditor KUO, NAI-HUA

Auditor LEE, LI-HUANG

Approved document number by the
Financial Supervisory Commission of the
Republic of China
Jin-Guan-Zheng-Shen-Zi No. 1070323246

Approved document number by the Securities
and Futures Commission
Tai-Cai-Zheng-Liu-Zi No. 0930128050

The English version of consolidated financial statements is translated from Chinese version and is not audited by Deloitte & Touche.

March 13, 2019

Keysheen (Cayman) Holdings Co., Limited and subsidiaries
Consolidated Balance Sheets
December 31, 2018 & 2017

Unit: In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 1,565,555	20	\$ 1,366,724	19
1110	Financial assets at fair value through profit or loss – current (Notes 4 and 7)	-	-	8,430	-
1150	Note Receivable (Notes 4 and 8)	-	-	2	-
1170	Account receivables (Notes 4 and 8)	2,125,863	27	1,327,645	18
1200	other receivables (Notes 4 and 8)	10,622	-	75,356	1
130X	Inventories (Notes 4 and 9)	1,614,708	21	1,850,598	26
1470	Other current assets (Notes 13 and 14)	335,317	4	399,590	6
11XX	Total current assets	<u>5,652,065</u>	<u>72</u>	<u>5,028,345</u>	<u>70</u>
	Noncurrent assets				
1600	Property, plants, and equipment (Notes 4 and 11)	1,833,550	24	1,798,232	25
1780	Other intangible assets (Notes 4 and 12)	21,588	-	25,363	-
1840	Deferred tax assets (Notes 4 and 22)	8,135	-	6,742	-
1985	Prepaid lease – non-current (Note 13)	306,442	4	320,706	5
1990	Other non-current assets (Note 14)	5,424	-	7,147	-
15XX	Total non-current assets	<u>2,175,139</u>	<u>28</u>	<u>2,158,190</u>	<u>30</u>
1XXX	Total assets	<u>\$ 7,827,204</u>	<u>100</u>	<u>\$ 7,186,535</u>	<u>100</u>
	LIABILITIES AND EQUITY				
	Current Liabilities				
2100	Short-Term Borrowings (Notes 4 and 15)	\$ 1,935,392	25	\$ 1,423,812	20
2120	Financial liabilities at fair value through profit or loss - current(Notes 4, 7 and 27)	25,315	-	-	-
2130	Contract liabilities - current (Note 20)	6,335	-	-	-
2170	Accounts payable (Note 16)	843,979	11	834,013	11
2200	Other payables (Note 17)	379,627	5	332,489	5
2230	Current tax liabilities (Notes 4 and 22)	40,965	-	130,023	2
2320	Long-term liabilities due in one year or one business cycle (Note 15)	138,115	2	-	-
2399	Other current liabilities (Note 17)	6,016	-	20,746	-
21XX	Total current liabilities	<u>3,375,744</u>	<u>43</u>	<u>2,741,083</u>	<u>38</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 15)	322,268	4	149,143	2
2570	DEFERRED TAX LIABILITIES (Notes 4 and 22)	133,342	2	160,608	2
2670	Other noncurrent liabilities (Note 17)	335	-	342	-
25XX	Total noncurrent liabilities	<u>455,945</u>	<u>6</u>	<u>310,093</u>	<u>4</u>
2XXX	total liabilities	<u>3,831,689</u>	<u>49</u>	<u>3,051,176</u>	<u>42</u>
	Equity attributable to owners of the company(Note 19)				
	Share capital				
3110	Common shares	1,042,610	13	1,042,610	15
3200	Capital surplus	2,113,900	27	2,113,900	30
	Retained earnings				
3310	Legal reserve	138,209	2	138,209	2
3350	Unappropriated earnings	733,253	9	820,061	11
3300	Total retained earnings	871,462	11	958,270	13
3400	Other equity	(32,457)	-	20,579	-
31XX	Total equity attributable to owners of the company	<u>3,995,515</u>	<u>51</u>	<u>4,135,359</u>	<u>58</u>
3XXX	Total equity	<u>3,995,515</u>	<u>51</u>	<u>4,135,359</u>	<u>58</u>
	Total liabilities and equity	<u>\$ 7,827,204</u>	<u>100</u>	<u>\$ 7,186,535</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

Chairman: LIU CHUNG-HSIN

Manager: LIU I-HSIAO

Chief Accountant: LIN YI-TING

Keysheen (Cayman) Holdings Co., Limited and subsidiaries

Consolidated Statements of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

Unit: In Thousands of New Taiwan Dollars, Except (Deficit) Earnings Per Share
Earnings (Deficit) Per Share

Code		2018		2017	
		Amount	%	Amount	%
	Operating income				
4100	Sales revenue (Notes 4 and 20)	\$ 6,152,017	100	\$ 4,867,900	100
	Operating costs				
5110	Cost of goods sold (Notes 9 and 21)	(4,902,489)	(80)	(3,728,890)	(77)
5900	Gross profit	<u>1,249,528</u>	<u>20</u>	<u>1,139,010</u>	<u>23</u>
	Operating expenses (Notes 21 and 28)				
6100	Selling expenses	(594,863)	(10)	(514,139)	(11)
6200	Management expenses	(418,977)	(7)	(393,477)	(8)
6300	Research and development expenses	(<u>100,989</u>)	(<u>1</u>)	(<u>103,605</u>)	(<u>2</u>)
6000	Total operating expenses	(<u>1,114,829</u>)	(<u>18</u>)	(<u>1,011,221</u>)	(<u>21</u>)
6900	Net operating profit	<u>134,699</u>	<u>2</u>	<u>127,789</u>	<u>2</u>
	Non-operating income and expenditure				
7010	Other income (Note 21)	75,619	1	62,800	1
7020	Other gains and losses (Note 21)	(94,605)	(1)	(28,024)	-
7050	Financing costs (Note 21)	(<u>41,820</u>)	(<u>1</u>)	(<u>4,108</u>)	-
7000	Total non-operating income and expenditure	(<u>60,806</u>)	(<u>1</u>)	<u>30,668</u>	<u>1</u>
7900	Profit before tax	73,893	1	158,457	3
7950	Income tax expenses (Notes 4 and 22)	(<u>124,210</u>)	(<u>2</u>)	(<u>113,399</u>)	(<u>2</u>)
8200	Net profit (loss)	(<u>50,317</u>)	(<u>1</u>)	<u>45,058</u>	<u>1</u>

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Code		2018		2017	
		Amount	%	Amount	%
	other comprehensive income and expenses				
8310	Items that will not be reclassified subsequently to profit or loss:				
8341	Exchange difference of translation to presentation currency	(\$ 81,794)	(1)	(\$ 59,294)	(1)
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign financial statements	<u>28,758</u>	<u>-</u>	<u>(79,458)</u>	<u>(2)</u>
8300	current other comprehensive income and expenses (net amount after tax)	<u>(53,036)</u>	<u>(1)</u>	<u>(138,752)</u>	<u>(3)</u>
8500	Total comprehensive income for the year	<u>(\$ 103,353)</u>	<u>(2)</u>	<u>(\$ 93,694)</u>	<u>(2)</u>
8600	Net Income (loss) attributed to				
8610	Stockholders of the Company	<u>(\$ 50,317)</u>	<u>(1)</u>	<u>\$ 45,058</u>	<u> 1</u>
8700	Total comprehensive income attributed to				
8710	Stockholders of the Company	<u>(\$ 103,353)</u>	<u>(2)</u>	<u>(\$ 93,694)</u>	<u>(2)</u>
	Earnings (Deficit) Per Share (Note 23)				
9710	Basic	<u>(\$ 0.48)</u>		<u>\$ 0.43</u>	
9810	Dilution	<u>(\$ 0.48)</u>		<u>\$ 0.43</u>	

The accompanying notes are an integral part of the consolidated financial statements.

Chairman: LIU CHUNG-HSIN Manager: LIU I-HSIAO Chief Accountant: LIN YI-TING

Keysheen (Cayman) Holdings Co., Limited and subsidiaries
Consolidated Statements of Changes In Equity
FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

Unit: In Thousands of New Taiwan Dollars

		attributable to Equity for owners of the company					Other equity items Foreign operations translation of financial statements	Total Equity
		Share capital		Retained earnings				
Code		Shares (thousand shares)	Amount	Capital surplus	Legal reserve	Unappropriated earnings	Exchange difference of	
A1	BALANCE at JANUARY 1, 2017	104,261	\$ 1,042,610	\$ 2,113,900	\$ 138,209	\$ 1,192,047	\$ 159,331	\$ 4,646,097
B5	Appropriation and distribution of retained earnings generated in 2016 the shareholder cash dividends	-	-	-	-	(417,044)	-	(417,044)
D1	Net profit for the year 2017	-	-	-	-	45,058	-	45,058
D3	Other comprehensive income for the year 2017	-	-	-	-	-	(138,752)	(138,752)
D5	Total comprehensive income for the year 2017	-	-	-	-	45,058	(138,752)	(93,694)
Z1	BALANCE at December 31, 2017	104,261	1,042,610	2,113,900	138,209	820,061	20,579	4,135,359
B5	Appropriation and distribution of retained earnings generated in 2017 the shareholder cash dividends	-	-	-	-	(36,491)	-	(36,491)
D1	net loss for the year 2018	-	-	-	-	(50,317)	-	(50,317)
D3	Other comprehensive income for the year 2018	-	-	-	-	-	(53,036)	(53,036)
D5	Total comprehensive income for the year 2018	-	-	-	-	(50,317)	(53,036)	(103,353)
Z1	BALANCE at December 31, 2018	<u>104,261</u>	<u>\$ 1,042,610</u>	<u>\$ 2,113,900</u>	<u>\$ 138,209</u>	<u>\$ 733,253</u>	<u>(\$ 32,457)</u>	<u>\$ 3,995,515</u>

The accompanying notes are an integral part of the consolidated financial statements.

Chairman: LIU CHUNG-HSIN

Manager: LIU I-HSIAO

Chief Accountant: LIN YI-TING

Keysheen (Cayman) Holdings Co., Limited and subsidiaries
Consolidated Statements of Cash Flows
FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

Unit: In Thousands of New Taiwan Dollars

Code		2018	2017
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Net profit before tax for the year	\$ 73,893	\$ 158,457
A20010	Adjustments for:		
A20100	Depreciation expenses	204,637	179,962
A20200	Amortization expenses	4,287	4,312
	expected credit impairment losses	76	-
A20300	reversal of impairment loss for doubtful accounts	-	(18)
A20400	Net gain on financial assets at fair value through profit or loss	-	(8,671)
A29900	Amortization of pre-paid leases	9,500	9,594
A20900	Financing costs	41,820	4,108
A21200	interest revenue	(19,528)	(15,744)
A23700	reduction of inventory to market and obsolescence loss	8,149	2,509
A22500	loss on disposal of real estate, plants and equipment	565	8,005
A20400	Net loss on financial liabilities at fair value through profit or loss	24,734	-
A30000	Net change in operating assets and liabilities		
A31130	Note receivable increased	2	(2)
A31150	Account receivables increased	(798,296)	(137,711)
A31180	Decrease (increase) in other receivables	64,961	(9,158)
A31200	Decrease (increase) in inventory	227,127	(393,844)
A31240	Decrease (increase) in other current assets	66,601	(118,666)
A32150	Accounts payable increased	9,966	159,056
A32180	increase (decrease) in other payables	13,028	(8,442)
A32230	Decrease in other current liabilities	(8,395)	(45,501)
A33000	cash generated from operations	(76,873)	(211,754)
A33100	Interest received	19,301	15,982
A33300	Interest paid	(40,415)	(3,630)
A33500	Income tax paid	(237,919)	(66,828)
AAAA	Net cash generated from operating activities	(335,906)	(266,230)

Cash flows from investing activities

B02700	Acquisition of real estates, plants, and equipment	(214,982)	(475,952)
B02800	Proceeds from disposal of real estate, plant and equipment	15,980	11,234

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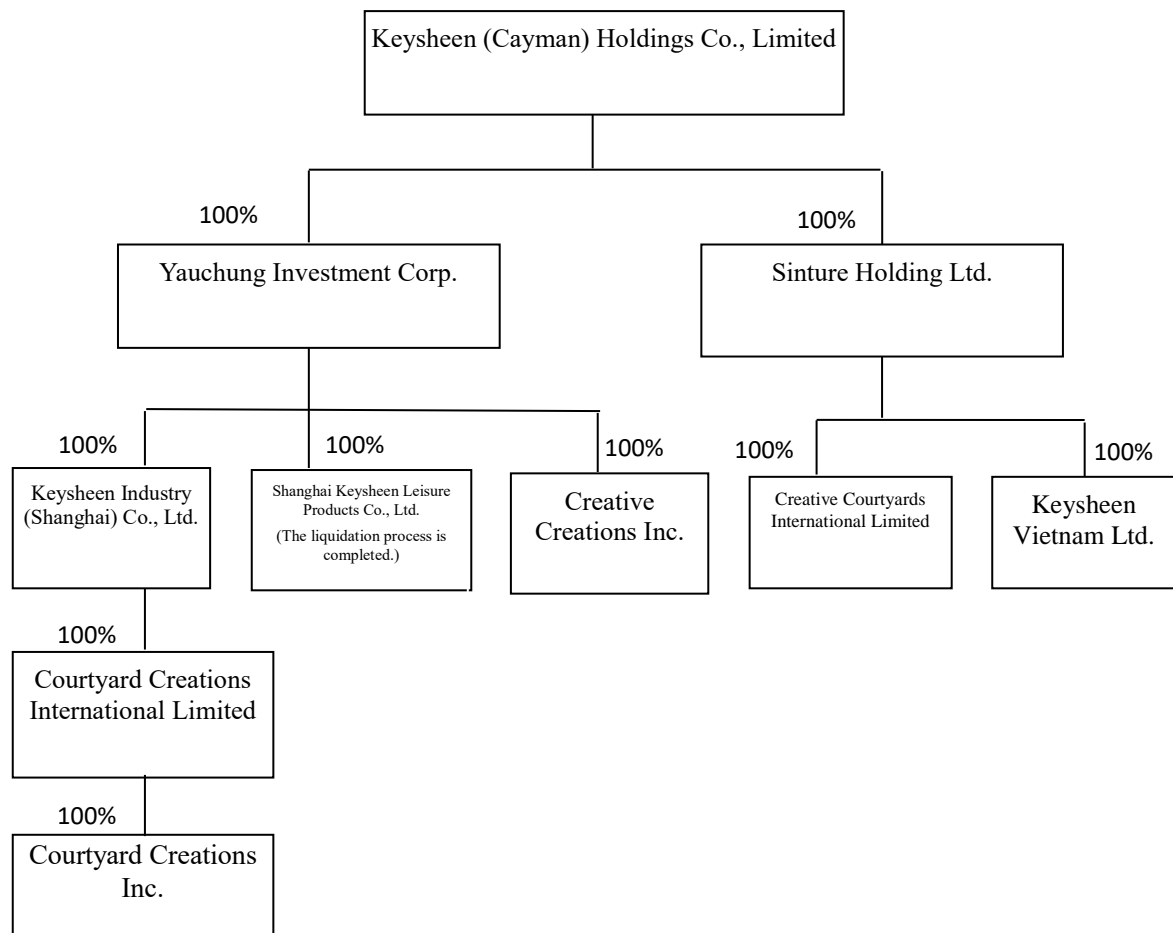
Code		2018	2017
B04500	Acquisition of intangible assets	(\$ 669)	(\$ 4,473)
B06600	Decrease in Other financial assets	-	1,634
B07100	Pre-payments for equipment increased	(19,571)	(5,584)
B03700	Guarantee deposits increased	(1)	-
B03800	Decrease in guarantee deposits	<u>-</u>	<u>2,584</u>
BBBB	Net cash flows from investing activities	<u>(219,243)</u>	<u>(470,557)</u>
	Cash flows from financing activities		
C00100	Increase in short-term borrowings	511,580	1,247,657
C01600	Increase in long-term borrowings	311,240	149,143
C03100	Returning of guarantee deposits received	(7)	(5)
C04500	Pay dividends to Stockholders of the Company	<u>(36,491)</u>	<u>(417,044)</u>
CCCC	Net cash generated from financing activities	<u>786,322</u>	<u>979,751</u>
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	<u>(32,342)</u>	<u>(99,958)</u>
EEEE	Net increase in cash and cash equivalents	198,831	143,006
E00100	Beginning balance of cash and cash equivalents	<u>1,366,724</u>	<u>1,223,718</u>
E00200	Ending balance of cash and cash equivalents	<u>\$ 1,565,555</u>	<u>\$ 1,366,724</u>

The accompanying notes are an integral part of the consolidated financial statements.

Chairman: LIU CHUNG-HSIN Manager: LIU I-HSIAO Chief Accountant: LIN YI-TING

Keysheen (Cayman) Holdings Co., Limited and subsidiaries
Notes to Consolidated Financial Statements
FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

I. Organization



(I) Keysheen (Cayman) Holdings Co., Limited (hereinafter referred to as “the company”) was established in September 2010 in the British Cayman Islands. It was mainly reorganized for the purpose of listed in the Taiwan Stock Exchange Corporation. After the reorganization, the company became the holding company of all the merged individuals. Yauchung Investment Corp. was acquired on January 10, 2011, at a Stock Exchange Ratio of 6.67:1. The company has listed on the Taiwan Stock Exchange since December 6, 2011.

- (II) Yauchung Investment Corp. (hereinafter referred to as “Yauchung Corp.”) was established in Samoa in 2003 and was fully owned by the company. The major business is professional investment.
- (III) Sinture Holding Ltd. (hereinafter referred to as “STH Company”) was established in Samoa in November 2015 and was established by the company with 100% investment. The major business is professional investment.
- (IV) Keysheen Industry (Shanghai) Co., Ltd. (hereinafter referred to as “Shanghai Keysheen”) was established in Shanghai in September 1997 and is 100% owned by Yauchung Corp. with a business period of 30 years. The main business items are production of various types of outdoor steel furniture and home textiles.
- (V) Shanghai Keysheen Leisure Products Co., Ltd. (hereinafter referred to as “Shanghai Keysheen Leisure Products”) was established in Shanghai in May 1995 and is 100% owned by Yauchung Corp. with a business period of 30 years. The main business items are the production of various types of outdoor steel furniture and health & leisure equipment. Shanghai Keysheen Leisure Products was liquidated and dissolved by the resolution of shareholders' meeting on July 23, 2018. Please refer to Note 10.
- (VI) Courtyard Creations International Limited was established in Hong Kong in September 2008 and is 100% owned by Shanghai Keysheen. The major business is professional investment.
- (VII) Courtyard Creations Inc. was established in January 2003 in Mauritius, and was acquired 100% by Courtyard Creations International Limited in March 2009. The main business items are the production of various types of outdoor furniture.
- (VIII) Keysheen Vietnam Ltd. (hereinafter referred to as “Keysheen Vietnam”) was established in January 2016 in Bac Ninh Province, Vietnam, and was established by STH Company with 100% investment. The main business is the production of outdoor metal and artificial plastic rattan tables and chairs and equipment.
- (IX) Creative Courtyards International Limited (hereinafter referred to as “CCIO”) was established in Samoa in March 2016 and was established by STH Corporation with 100% investment. In October 2016, CCIO has established the Taiwan branch of Creative Courtyards International Limited (SAMOA), Taiwan Branch (hereinafter referred to as “CCITW” company). The main business items are the production of various types of outdoor furniture.

- (X) Creative Creations Inc. was established in Shanghai in April 2018 and is 100% owned by Yauchung Corp. with a business period of 20 years. The main business items are the production of various types of outdoor furniture.

The functional currency of the Company is RMB. Since the Company has listed in TWSE, the consolidated financial report is expressed in NTD in order to increase the comparativeness and consistency of the consolidated financial statements.

II. Approval of Financial Statements

The consolidated financial statements have been adopted by the board of directors on March 13, 2019.

III. Application of New, Amended and Revised Standards and Interpretations

- (I) Initial applicable of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively referred to as IFRSs) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the regulations Governing the Preparation of Financial Reports and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies:

1. IFRS 9 "Financial Instruments" and related amendments

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at IFRS 9 "Financial Instruments". And other amendments to IFRS 7 "Financial Instruments: Exposure" and other guidelines. The new IFRS 9 has included classification, measurement, and impairment of financial assets and general hedge accounting. The related accounting policies, please refer to Note 4.

Classification, measurement and impairment of financial assets

The Group analyzed the facts and circumstances of its financial assets that exist at January 1, 2018 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets then choose not to correct the comparison period. On January 1, 2018, the measurement categories and the carrying amounts determined by IAS 39 and IFRS 9 for each category of financial assets are summarized as follows:

Financial assets category	Measurement category		the carrying amounts		Description
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	The loans and receivables	Measured at amortized cost	\$ 1,366,724	\$ 1,366,724	(1)
Notes Receivable, Account receivables, and other receivables	The loans and receivables	Measured at amortized cost	1,403,003	1,403,003	(1)
Guarantee deposits	The loans and receivables	Measured at amortized cost	127	127	-

(1) Notes Receivable, account receivables and other receivables were originally classified as loans and receivables according to IAS 39, reclassified as financial assets measured at amortized cost according to IFRS 9, and evaluated expected credit losses.

2. IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. The related accounting policies, please refer to Note 4.

The net result of the income recognition, the account received and the account receivable is recognized as contract assets (liabilities). Prior to the application of IFRS 15, the contract processed under IAS 18 recognized the decrease in receivables or advance receipts when recognizing revenue.

The Group elects to retrospectively apply IFRS 15 to contracts that are not complete on January 1, 2018 and recognize the cumulative effect of the change in the retained earnings on January 1, 2018.

Current impact of assets, liabilities, and equity items

	JANUARY 1, 2018 amount before correction	First applicable Adjustment	JANUARY 1, 2018 amount after correction
Contract liabilities- current	\$ -	\$ 5,343	\$ 5,343
Advance receipts	5,343	(5,343)	-
Effect on liabilities	<u>\$ 5,343</u>	<u>\$ -</u>	<u>\$ 5,343</u>

3. Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset,

irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses to deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve this, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

In assessing deferred tax asset, the Group currently assumes it will recover the asset at its carrying amount when estimating probable future taxable profit; the amendment will be applied retrospectively in 2018.

(III) In 2019 the company is applicable to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the IFRSs endorsed and issued into effect by the Financial Supervisory Commission(FSC).

<u>New IFRSs and amendments</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Annual Improvements to IFRSs 2015-2017 Cycle	JANUARY 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	JANUARY 1, 2019 (Note 2)
IFRS 16 “Leases”	JANUARY 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	JANUARY 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	JANUARY 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	JANUARY 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permitted that entities may elect to early adopt the amendments starting from JANUARY 1, 2018

Note 3: The Group shall apply these amendments to plan amendments, curtailments of settlements occurring on or after January 1, 2019.

1. IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 “leases” and IFRIC 4 “decide whether or not an arrangement includes a lease” as well as related interpretations.

Lease definition

When IFRS 16 is applicable for the first time, the group will choose whether or not to contract (or include) the lease based on IFRS 16 for the contract signed or changed after January 1, 2019. Currently, it is considered to be leased according to IAS 17 and IFRIC 4. The contract will not be re-evaluated and will be processed in accordance with the transitional provisions of IFRS 16.

If the Group is a lessee

Under IFRS 16, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities. Prior to the application of IFRS 16, contracts classified as operating leases were recognized on a straight-line basis. The lease payments prepaid for the rights of land use in the PRC and Vietnam are recognized as prepaid lease payments, and the difference between the amount due to the smoothing of the rent and the amount paid is recognized as prepaid lease payments. Operating lease cash flow is expressed in business activities in the consolidated cash flow statement. Contracts classified as financial leases are recognized in the consolidated balance sheet as lease assets and lease payments payable.

The group is expected to adjust the cumulative impact of the retroactive application of IFRS 16 to the retained earnings on January 1, 2019, without correcting the comparative information.

Currently, in accordance with the agreement of IAS 17 for operating leases, the measurement of the lease liability on January 1, 2019 will be discounted by the remaining lease payments at the borrowing rate of the lessee at that date. Part of the right-of-use asset will be discounted at the aforementioned interest rate and measured as if IFRS 16 had been applied at the start date of the lease. The identified right-of-use assets will be subject to IAS 36 assessment impairment.

The group is expected to apply the following expediency:

Leases ended before December 31, 2019 will be treated on a short-term lease basis.

For the leases classified as finance leases under IAS 17, the carrying amount of the leased assets and lease liabilities as at December 31, 2018 will be used as the carrying amount of the right-of-use assets and lease liabilities as at January 1, 2019.

The estimated impact of assets, liabilities, and equity on JANUARY 1, 2019

	The carrying amounts as of December 31, 2018	First applicable Adjustment	JANUARY 1, 2019 after adjustment the carrying amounts
right-of-use assets	\$ -	\$ 48,381	\$ 48,381
Effect on assets	\$ -	\$ 48,381	\$ 48,381
lease liabilities- current	\$ -	\$ 9,989	\$ 9,989
lease liabilities - noncurrent	-	38,392	38,392
Effect on liabilities	\$ -	\$ 48,381	\$ 48,381

2. IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over the income tax treatment of the proceeds, the group must assume that the tax authorities will be able to review all relevant information. If it is judged that the tax treatment of its application is likely to be accepted by the tax authorities, the decision of the combined company on taxable income, tax base, unused tax losses, unused tax credits and tax rates must be used in conjunction with the declaration of income tax have to be consisted with the tax treatment. If the tax authorities are not very likely to accept the tax treatment of the declaration, the group must evaluate the most likely amount or expected value (the method of predicting the final result

of uncertainty in both should be adopted). If the facts and circumstances change, the group must reassess its judgment and estimate.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assessed the possible impact that the application of other standards and interpretations would not have any material impact on the Group's accounting policies:

(III) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<u>New IFRSs and amendments</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendment to IFRS 3 "Definition of Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendment to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendments to the business merge that began on January 1, 2020, after the date of the acquisition and the assets that occurred after the aforesaid date.

Note 3: This amendment is deferred for the annual period beginning after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

IV. Summary of Significant Accounting Policies

(I) Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the guidelines issued by the competent authority, and IFRSs as endorsed by the FSC.

(II) Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3. Level 3 inputs are unobservable inputs for the asset or liability.

(III) Classification of Current and Non-current Assets and Liabilities

Current assets include:

1. Assets held primarily for trading purposes;
2. Assets expected to be realized within 12 months after the end of each reporting period; and
3. Cash and cash equivalents (excluding those who are restricted by the exchange or liquidation of debts for more than 12 months after the end of each reporting period)

Current liabilities include:

1. Liabilities held primarily for trading purposes;
2. Those who are restricted by the exchange or liquidation of debts within 12 months after the end of each reporting period (after the end of each reporting period and the completion of the long-term refinancing or rescheduling payment agreement before the release of the financial report, it is also a current liability); and
3. The settlement period cannot be unconditionally deferred to at least 12 months after the balance sheet date.

Those who are not the above current assets or current liabilities are classified as non-current assets or non-current liabilities.

(IV) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Total comprehensive income has been included in the operating gains and losses of the acquired or divested company in the current period from the date of acquisition or to the date of disposal. When necessary, adjustments are made to the financial statements

of its subsidiaries to bring its accounting policies into line with those used by the Company. All intragroup transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When the merged company change in the ownership interest of the subsidiary does not result in loss of control, it is treated as an equity transaction. The carrying amount of the merged company and the non-controlling interests has been adjusted to reflect changes in its relative interests in subsidiaries. The difference between the adjusted amount of the non-controlling interest and the fair value of the consideration paid or received is directly recognized as an equity and is attributed to owners of the Company.

The details of subsidiaries, shareholding ratio and business items, please refer to Note 10 and TABLE 7.

(V) Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arise from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used

different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income. The conversion difference arising from the translation of the functional currency into the expression currency is not subsequently reclassified to profit or loss.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary but not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(VI) inventory

Inventories include raw materials, materials, finished goods, and work in progress. Inventories are measured at the lower of cost and net realizable value. When comparing costs and net realizable values, they are based on individual items except for the same type of inventory. The net realized value is the balance of the estimated selling price under normal circumstances minus the estimated cost of completion and the estimated cost of completing the sale. Weighted average method has been adopted for the calculation of inventory cost.

(VII) Property, plant and equipment

Property, plant, and equipment (including assets held under finance leases) are stated at cost, less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment built-in are stated at cost, less accumulated impairment loss. Cost includes professional service fees and borrowing costs that are eligible for capitalization. Such assets are classified to the appropriate categories of immovable property, plant and equipment and depreciation is commenced when completed and expected to be used.

Property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On de-recognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

(VIII) Intangible Assets

1. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially recognized at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2. De-recognition of intangible assets

On de-recognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(IX) Impairment of Tangible and Intangible Assets Other than Goodwill and Contract Cost

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

For the IFRS 15 customer contract, the inventory, real estate, plant and equipment and intangible assets recognized in the customer contract are recognized for impairment according to the inventory impairment requirements and the above provisions. The amount of the remaining amount of the consideration is deducted from the directly related costs. The carrying amount of the contract-related assets is included in the cash-generating unit.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(X) Financial Instruments

Financial assets and financial liabilities are recognized when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

(1) Measurement category

2018

The category of financial assets held by the Group is financial assets measured at amortized cost.

Financial assets measured at amortized cost

The Group investment financial assets are classified as financial assets measured at amortized cost if they meet the following two criteria:

- a. Is held under a business model whose purpose is to hold financial assets and collecting contractual cash flows;
- b. The contract terms generate cash flows on a specific date, which is the interest on the principal and the outstanding principal amount.

Financial assets measured at amortized cost (including cash and cash equivalents, account receivables measured at amortized cost, other receivables, and guarantee deposits) are recognized in profit or loss on the basis of the original carrying amount determined by the effective interest method less any amortized loss of any impairment losses.

Interest revenue is calculated by multiplying the effective interest rate by the total carrying amounts of the financial assets, except for the following two cases:

- a. For purchased or initiated credit impairment financial assets, interest revenue is calculated by multiplying the credit adjusted effective interest rate by the amortized cost of financial assets.
- b. For non-purchasing or initial credit impairment, but financial assets that subsequently become credit impairments should be confident to use the effective interest rate multiplied by the amortized cost of financial assets to calculate interest revenue from the next reporting period after derogation.

Cash equivalents include time deposits that are highly liquid within 3 months from the date of acquisition, can be converted into certain cash amount at any time, and have little risk of changes in value, to meet short-term cash commitments.

2017

The group holds financial assets and loans and receivables at fair value through profit or loss

A. Financial assets at fair value through profit or loss

The financial assets at fair value through profit or loss is held-for-trading financial assets.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. The decision on fair value through profit or loss, please refer to Note 28.

B. The loans and receivables

The loans and receivables (which includes account receivables, cash and cash equivalents, other receivables, and guarantee deposits) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits that are highly liquid within 3 months from the date of acquisition, can be converted into certain cash amount at any time, and have little risk of changes in value, to meet short-term cash commitments.

(2) Impairment of financial assets and contract assets

2018

Financial assets are measured at amortized cost (including account receivables) other comprehensive income of impairment at the end of each reporting period as well as impairment losses on debt instrument investments, lease receivables and contractual assets measured at fair value through other comprehensive gains and losses.

The loss allowance is required for financial assets measured at expected credit loss during terms for account receivables, lease receivables, contract assets. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low.

The expected credit losses is the weighted average credit loss weighted by the risk of default. The 12-month expected credit losses represents the expected credit losses arising from the possible default of the financial instrument in the 12 months after the report, and the expected credit losses during the lifetime represents the expected credit losses

arising from all possible defaults of the financial instrument during the expected existence period.

The carrying amount of the financial asset is reduced through the use of an allowance accounts. However, the allowance loss of a debt instrument investment measured at fair value through other comprehensive gains and losses is recognized in other comprehensive gains and losses and does not reduce its carrying amount.

2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets presented at amortized cost, such as account receivables and other receivables, that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of account receivables could include the Group's past experience of collecting payments and an increase in the number of 60-day delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on loans and receivables.

For financial assets presented at amortized cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

For financial assets presented at amortized cost, the amount of the impairment loss of the financial assets decreased in the subsequent period, and the objectively determined that the decrease is related to the events that occurred after the impairment is recognized, the previously recognized impairment loss is recognized in profit or loss either directly or through adjustment of the allowance account. However, the reversal shall not cause the carrying amount of the financial asset to exceed the amortized cost on the reversal date if the impairment is not recognized.

The objective impairment evidence of other financial assets includes significant financial difficulties of the issuer or debtor, breach of contract (such as delay or non-payment of interest or principal payments), the possibility of the debtor going into bankruptcy or other financial restructuring, or the disappearance of the active market of financial assets due to financial difficulties.

The impairment loss of all financial assets is directly deducted from the carrying amount of the financial assets, but the accounts receivable is reduced by the allowance account. When those financial assets are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss, except for the write-off of the allowance account due to the inability to recover the receivables.

(3) De-recognition of financial assets

The Group derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

In 2017 and before, on de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss. Since 2018, on de-recognition of a financial assets measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received is recognized in profit or loss. On de-recognition of an investment in debt instruments measured at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss. On de-recognition of an investment in equity instruments measured at FVTOCI, the accumulated profit and loss will transfer to retained earnings, and will not be reclassified to profit or loss.

2. Financial liabilities

(1) Subsequent measurement

Except in the following situations, all the financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading.

Financial liabilities at fair value through profit or loss are stated at fair value. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability. The decision on fair value through profit or loss, please refer to Note 28.

(2) De-recognition of financial liabilities

The difference between the carrying amount of the financial liability de-recognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

3. Derivative Financial Instruments

The derivative financial instruments signed by the Group are forward contracts used to manage the exchange rate risk.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

In 2017 and before, derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss. Since 2018, derivatives that are embedded in the asset master contract within the scope of IFRS 9 determine the classification of financial assets by the overall contract. Derivatives embedded in an asset master contract that is not in the scope of IFRS

9 (e.g., embedded in the principal contract of financial liabilities), the derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

(XI) Revenue Recognition

2018

After the Group recognizes the performance obligation of the customer contract, the transaction price is distributed to each performance obligation, and the income is recognized when the performance obligations are fulfilled.

Sales revenue

Sales revenue comes from the sale of outdoor leisure furniture. Since the outdoor leisure furniture is shipped, the customer has the right to set the price and use of the goods and has the primary responsibility for reselling, and bears the risk of outdated goods. The Group recognizes the revenue and accounts receivable at that point in time. The sales advances are recognized as contract liabilities before the goods are shipped.

When the material processing is performed, the control of the ownership of the processed product is not transferred, and the income is not recognized when the material is removed.

2017

Revenue is measured at the fair value of the consideration received or receivable, net of estimated customer returns, discounts and other similar discounts. The return of sales is based on past experience and other relevant factors to reasonably estimate the future return amount.

1. Sales of goods

Sales of goods are recognized when the following conditions are fully met:

- (1) The Group has transferred the significant risks and rewards of ownership of the goods to the buyer;
- (2) The Group does not continue to participate in the management of the goods sold, nor maintains effective control;
- (3) The amount of income can be measured reliably;
- (4) It is recognized payment provided that it is probable that the economic benefits will flow to the Group; and

(5) The costs incurred or to be incurred in connection with the transaction can be reliably measured.

When the material processing is performed, the major risks and rewards of the ownership of the processed products are not transferred, and the goods are not disposed of at the time of material removal.

2. Interest revenue

Interest revenue of financial assets is recognized when economic benefits are likely to flow into the Group and the amount of revenue can be reliably measured. Interest revenue is recognized on an accrual basis based on the outstanding principal and the applicable effective interest rate.

(XII) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

If the Group is a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(XIII) Borrowing cost

The cost of borrowing directly attributable to the acquisition, construction or production of the qualifying asset is a component of the cost of the asset until substantially all necessary activities in the state in which the asset is in its intended use or sale have been completed.

Investment income earned on the temporary investment of specific borrowings prior to the occurrence of capital expenditures in accordance with the requirements is deducted from the borrowing costs eligible for capitalization.

Except for the above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(XIV) government grants

Government grants are recognized only if it is reasonably believed that the Group will comply with the conditions attached to the government grants and will receive the grants.

Government grants are recognized in profit or loss on a systematic basis over the period. Government grants that are conditional on the acquisition, construction or other way of obtaining non-current assets are recognized as deferred income and transferred

to profit or loss on a reasonable and systematic basis over the useful lives of related assets.

If a government grant is used to compensate for expenses or losses that have occurred, or for the purpose of providing immediate financial support to the Group, and no future related costs, it is recognized in profit or loss in the period in which it is available.

(XV) Employee Benefits

1. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

(XVI) Income Tax

Income tax expense represents the sum of the current tax and deferred tax.

1. Current tax

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carry forward that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible

temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred tax

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

V. Critical Accounting Judgments and Key Sources of Estimation Uncertainties

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

VI. Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash on hand and working capital	\$ 395	\$ 286
Check and current deposits in banks	1,020,326	1,172,278
Cash equivalents (investments with original maturities of within three months)		
Time deposits in banks	542,454	191,730
Other currencies fund	<u>2,380</u>	<u>2,430</u>
	<u>\$ 1,565,555</u>	<u>\$ 1,366,724</u>

The ranges of market rates for intervals of bank deposit at the end of the reporting period are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
bank deposit	0.01% ~ 4.0%	0.01% ~ 9.21%

VII. Financial Instruments at fair value through profit or loss

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets- current</u>		
Assigned at fair value through profit or loss		
Held-for-trading		
The derivative financial instruments (non-designated hedging relationship)		
- Forward contracts	<u>\$ -</u>	<u>\$ 8,430</u>

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	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial liabilities- current</u>		
Assigned at fair value through profit or loss		
Held-for-trading		
The derivative financial instruments (non-designated hedging relationship)		
- Forward contracts	<u>\$ 25,315</u>	<u>\$ -</u>

The forward contracts not applicable to general hedge accounting and not matured at the end of each reporting period are stated as follows:

	<u>Currency</u>	<u>Maturity</u>	<u>contract amount(\$)</u>
<u>December 31, 2018</u>			
Forward contracts- Short position	USD to RMB	January 23, 2019 April 25, 2019	USD 28,000,000/ RMB 186,843,400
<u>December 31, 2017</u>			
Forward contracts- Short position	USD to RMB	January 22, 2018 to April 10, 2018	USD 14,000,000/ RMB 93,469,000

The purpose of the Group forward foreign exchange transactions is mainly to avoid the risk of foreign currency assets and liabilities arising from exchange rate fluctuations. The forward contracts held by the Group do not comply with the effective hedging conditions, so the hedge accounting is not applicable.

VIII. Notes Receivable, account receivables, and other receivables

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Notes Receivable</u>		
Measured at amortized cost		
Total carrying amounts	\$ -	\$ 2
minus: Allowance loss	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 2</u>
<u>Account receivables</u>		
Measured at amortized cost		
Total carrying amounts	\$ 2,125,986	\$ 1,327,690
minus: Allowance loss	(<u>123</u>)	(<u>45</u>)
	<u>\$ 2,125,863</u>	<u>\$ 1,327,645</u>
<u>Other receivables</u>		
Sales Tax Refund Receivable	\$ 7,959	\$ 71,881
Others	<u>2,663</u>	<u>3,475</u>
	<u>\$ 10,622</u>	<u>\$ 75,356</u>

Notes Receivable and account receivables

2018

The average credit period for the Group's sales of goods is 60 days, and the accounts receivables are not interest-bearing. In determining the recoverability of accounts receivable, the Group considers any change in the credit quality of the accounts receivable from the original credit date to the end of each reporting period. The policy adopted by the Group is to conduct transactions only with those who are equal to or higher than the investment grade and, if necessary, to obtain sufficient guarantees to mitigate the risk of financial losses arising from default. If such information is not available, the Group will review other publicly available financial information and historical transaction records to rate major customers. The Group continuously monitors the credit risk and the credit rating of the counterparties, and distributes the total transaction amount to different qualified customers such as credit rating.

The policy adopted by the Group is to deal only with the reputable counterparties and, where necessary, to obtain sufficient guarantees to mitigate the risk of financial losses arising from default.

To mitigate credit risk, the Group management assigns a dedicated team responsible for credit line decisions, credit approvals and other monitoring procedures to ensure that appropriate actions are taken to ensure that overdue receivables are recovered. In addition, the Group will review the recoverable amount of the accounts receivable on the balance sheet date to ensure that the accounts receivable that cannot be recovered have been provided with appropriate impairment losses. Accordingly, the management of the Group believes that the credit risk of the Group has been significantly reduced.

The Group adopts the simplification of IFRS 9 to recognize the allowance for receivables based on expected credit losses during the period. The expected credit loss during the existence period is calculated using the preparation matrix, which considers the customer's past default record and current financial status, industrial economic situation, and considers GDP forecast and industry outlook. Due to the historical experience of credit losses of the Group, there is no significant difference in the loss patterns of different customer groups. Therefore, the preparation matrix does not further distinguish the customer base, and only sets the expected credit loss rate based on the overdue days of accounts receivable.

If there is evidence that the counterparty is facing serious financial difficulties and the Group cannot reasonably expect the recoverable amount, the Group will directly write

off the relevant accounts receivable, but will continue to pursue the activity, and the amount recovered by the recovery will be recognized in profit or loss.

The Group allowance for the receivables is determined by the preparation matrix as follows:

December 31, 2018

	<u>Not past due</u>	<u>Past due 1-90 days</u>	<u>Past due 91 – 180 days</u>	<u>Past due over 180 days</u>	<u>Total</u>
Expected credit loss rate	0%	0%	0% ~ 50%	100%	
Total carrying amounts	\$ 2,069,507	\$ 56,040	\$ 439	\$ -	\$ 2,125,986
Allowance for loss (expected credit losses during the period)	-	-	(123)	-	(123)
Amortized cost	<u>\$ 2,069,507</u>	<u>\$ 56,040</u>	<u>\$ 316</u>	<u>\$ -</u>	<u>\$ 2,125,863</u>

Changes in allowance for loss are as follows:

	<u>2018</u>
beginning balance(IAS 39)	\$ 45
the adjustment information upon initial application of IFRS 9.	-
beginning balance(IFRS 9)	45
plus: current year recognized impairment loss (Note)	76
Exchange difference	2
Ending Balance	<u>\$ 123</u>

Note: Compared with January 1, 2018, the total carrying amounts of accounts receivable increased by \$798,296,000 on December 31, 2018, and the allowance for losses increased by \$76,000.

2017

The credit policy of the Group in 2017 is same as the aforementioned 2018 credit policy. For the assessment of allowance for accounts receivable, due to historical experience showing that accounts receivable overdue for more than 181 days cannot be recovered, the Group recognizes 50% of accounts receivable with an overdue period of between 91 days and 180 days. With allowance for bad debts, accounts receivable over 181 days are recognized as 100% allowance for bad debts. For accounts receivable with an overdue period of between 0 days and 90 days, the allowance for bad debts is based on the counterparty's past arrear record and analyzes its current financial position to estimate the amount that cannot be recovered.

The accounts receivable that were overdue on the balance sheet date but the Group has not yet recognized the allowance for bad debts, due to the credit quality has not changed significantly, the management of the Group believes that the amount can still be

recovered or the company should accept the receivables. The account has been received after the period.

Aging analysis for accounts receivable is as follows:

	<u>December 31, 2017</u>
0-90 days	<u>\$ 1,327,690</u>

The above is an aging analysis based on the number of overdue days.

Aging analysis for overdue but unimpaired accounts receivable is as follows:

	<u>December 31, 2017</u>
0-90 days	<u>\$ 10,863</u>

The above is an aging analysis based on the number of overdue days.

Changes in allowance for accounts receivable are as follows:

	<u>Individually assessed impairment losses</u>	<u>Collectively assessed impairment losses</u>	<u>Total</u>
BALANCE at January 1, 2017	\$ 65	\$ -	\$ 65
minus: reversal of impairment loss for doubtful accounts for the year	(18)	-	(18)
Exchange difference	(2)	-	(2)
BALANCE at December 31, 2017	<u>\$ 45</u>	<u>\$ -</u>	<u>\$ 45</u>

On December 31, 2017, the individually assessed impaired accounts receivable amount is \$45,000. The Group does not hold any collateral over the balance of these receivables.

Aging analysis for individually impaired accounts receivable is as follows:

	<u>December 31, 2017</u>
1-90 days	<u>\$ 45</u>

The above is based on the balance before the allowance for bad debts, and the aging analysis is based on the number of overdue days.

IX. Inventory

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
finished goods	\$ 1,046,159	\$ 1,361,816
work in progress	298,684	188,991
raw materials	220,499	266,713

Goods in Transit	49,366	33,078
	<u>\$ 1,614,708</u>	<u>\$ 1,850,598</u>

The cost of goods sold related to inventories in 2018 and 2017 was \$4,902,489,000 and \$3,728,890,000 respectively. Cost of goods sold including reduction of inventory to market \$8,149,000 and \$2,509,000.

X. Subsidiaries

Subsidiaries included in consolidated financial statements

The consolidated entities were as follows:

Investor	Investee	Main Business	% of Ownership		Description
			2018 December 31	2017 December 31	
Keysheen (Cayman) Holding Co., Ltd	Yauchung Investment Corp.	Investment	100%	100%	-
Keysheen (Cayman) Holding Co., Ltd.	Sinture Holding Ltd.	Investment	100%	100%	-
Yauchung Investment Corp.	Keysheen Industry (Shanghai) Co., Ltd.	Production of various types of outdoor steel furniture	100%	100%	-
Yauchung Investment Corp.	Shanghai Keysheen Leisure Products Co., Ltd.	The production of various types of outdoor steel furniture and health & leisure equipment.	-	100%	Note 2
Yauchung Investment Corp.	Creative Creations Inc.	Sales of various types of outdoor furniture	100%	-	Note 1
Keysheen Industry (Shanghai) Co., Ltd.	Courtyard Creations International Limited	Investment	100%	100%	-
Courtyard Creations International Limited	Courtyard Creations Inc.	Sales of various types of outdoor furniture	100%	100%	-
Sinture Holding Ltd.	Creative Courtyards International Limited	Sales of various types of outdoor furniture	100%	100%	-
Sinture Holding Ltd.	Keysheen Vietnam Ltd. corporation	The production of metal and artificial plastic rattan tables and chairs and equipment.	100%	100%	-

Note 1: The subsidiary Creative Creations Inc. was established in April 2018 by Yauchung Investment Corp. with 100% investment.

Note 2: Shanghai Keysheen Leisure Products has passed the liquidation and dissolution at the shareholders' meeting on July 23, 2018. The liquidation procedure was completed in October 2018, and the remittance was remitted in December 2018. From the date of liquidation, the company ceased. The company's revenue and loss are recognized as investment gains and losses.

XI. Property, plant and equipment

Cost	Buildings	Machinery equipment	Electronic equipment	Transportation Equipment	Other Equipment	Construction in Progress	T o t a l
BALANCE at JANUARY 1, 2017	\$ 1,746,692	\$ 916,956	\$ 49,850	\$ 61,515	\$ 322,097	\$ 73,132	\$ 3,170,242

Addition	66,627	34,211	7,746	6,269	16,245	351,586	482,684
Disposal	(8,690)	(39,172)	(3,336)	(2,617)	(10,618)	-	(64,433)
Reclassifications	138,231	68,488	819	18,677	(9,150)	(217,065)	-
Net exchange difference	(29,205)	(44,096)	(751)	(975)	(4,238)	(6,651)	(85,916)
BALANCE at December 31, 2017	<u>\$ 1,913,655</u>	<u>\$ 936,387</u>	<u>\$ 54,328</u>	<u>\$ 82,869</u>	<u>\$ 314,336</u>	<u>\$ 201,002</u>	<u>\$ 3,502,577</u>
<u>Accumulated Depreciation and Impairment</u>							
BALANCE at JANUARY 1, 2017	\$ 708,369	\$ 597,315	\$ 45,767	\$ 52,667	\$ 215,220	\$ -	\$ 1,619,338
Disposal	(5,026)	(26,829)	(3,205)	(2,119)	(8,015)	-	(45,194)
Depreciation expenses	84,749	67,381	2,072	4,730	21,030	-	179,962
Net exchange difference	(7,804)	(38,299)	(552)	(577)	(2,529)	-	(49,761)
BALANCE at December 31, 2017	<u>\$ 780,288</u>	<u>\$ 599,568</u>	<u>\$ 44,082</u>	<u>\$ 54,701</u>	<u>\$ 225,706</u>	<u>\$ -</u>	<u>\$ 1,704,345</u>
Net amount, December 31, 2017	<u>\$ 1,133,367</u>	<u>\$ 336,819</u>	<u>\$ 10,246</u>	<u>\$ 28,168</u>	<u>\$ 88,630</u>	<u>\$ 201,002</u>	<u>\$ 1,798,232</u>

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	<u>B u i l d i n g s</u>	<u>M a c h i n e r y e q u i p m e n t</u>	<u>E l e c t r o n i c e q u i p m e n t</u>	<u>T r a n s p o r t a t i o n E q u i p m e n t</u>	<u>O t h e r E q u i p m e n t</u>	<u>C o n s t r u c t i o n i n P r o g r e s s</u>	<u>T o t a l</u>
<u>Cost</u>							
BALANCE, JANUARY 1, 2018	\$ 1,913,655	\$ 936,387	\$ 54,328	\$ 82,869	\$ 314,336	\$ 201,002	\$ 3,502,577
Addition	162,040	58,678	2,297	19,025	3,379	2,268	247,687
Disposal	(2,332)	(67,603)	-	-	-	-	(69,935)
Reclassifications	183,044	34,427	978	-	-	(197,154)	21,295
Net exchange difference	(23,034)	(13,371)	(798)	(656)	(5,965)	(3,554)	(47,378)
BALANCE at December 31, 2018	\$ 2,233,373	\$ 948,518	\$ 56,805	\$ 101,238	\$ 311,750	\$ 2,562	\$ 3,654,246
<u>Accumulated Depreciation and Impairment</u>							
BALANCE, JANUARY 1, 2018	\$ 780,288	\$ 599,568	\$ 44,082	\$ 54,701	\$ 225,706	\$ -	\$ 1,704,345
Disposal	(1,767)	(51,623)	-	-	-	-	(53,390)
Depreciation expenses	104,966	77,737	3,282	7,284	11,368	-	204,637
Net exchange difference	(16,389)	(11,984)	(853)	(1,092)	(4,578)	-	(34,896)
BALANCE at December 31, 2018	\$ 867,098	\$ 613,698	\$ 46,511	\$ 60,893	\$ 232,496	\$ -	\$ 1,820,696
Net amount, December 31, 2018	\$ 1,366,275	\$ 334,820	\$ 10,294	\$ 40,345	\$ 79,254	\$ 2,562	\$ 1,833,550

The depreciation expenses are amortized on a straight-line basis over the following estimated useful lives:

Buildings	
plant main buildings	Over 5 Years to 30 Years
other constructions	Over 3 Years to 20 Years
Machinery equipment	Over 1 Year to 13 Years
Electronic equipment	Over 1 Year to 10 Years
Transportation Equipment	Over 2 Years to 10 Years
Other Equipment	Over 2 Years to 12 Years

XII. Other intangible assets

	<u>Computer software cost</u>	<u>Trademark right</u>	<u>Others</u>	<u>Total</u>
<u>Cost</u>				
BALANCE at January 1, 2017	\$ 30,042	\$ 7,324	\$ -	\$ 37,366
Intangible assets acquired separately	3,400	-	1,073	4,473
Net exchange difference	(392)	(503)	9	(886)
BALANCE at December 31, 2017	\$ 33,050	\$ 6,821	\$ 1,082	\$ 40,953
<u>Accumulated Amortization and Impairment</u>				
BALANCE at January 1, 2017	\$ 9,369	\$ 2,167	\$ -	\$ 11,536
Amortization expenses	3,410	701	201	4,312
Net exchange difference	(91)	(168)	1	(258)
BALANCE at December 31, 2017	\$ 12,688	\$ 2,700	\$ 202	\$ 15,590
Net amount, December 31, 2017	\$ 20,362	\$ 4,121	\$ 880	\$ 25,363

<u>Cost</u>				
BALANCE, January 1, 2018	\$ 33,050	\$ 6,821	\$ 1,082	\$ 40,953
Intangible assets acquired separately	669	-	-	669
Net exchange difference	(<u>524</u>)	<u>198</u>	(<u>22</u>)	(<u>348</u>)
BALANCE at December 31, 2018	<u>\$ 33,195</u>	<u>\$ 7,019</u>	<u>\$ 1,060</u>	<u>\$ 41,274</u>

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	<u>C o m p u t e r</u> <u>software cost</u>	<u>T r a d e m a r k</u> <u>r i g h t</u>	<u>O t h e r s</u>	<u>T o t a l</u>
<u>Accumulated</u>				
<u>Amortization and</u>				
<u>Impairment</u>				
BALANCE, January 1, 2018	\$ 12,688	\$ 2,700	\$ 202	\$ 15,590
Amortization expenses	3,368	686	233	4,287
Net exchange difference	(278)	94	(7)	(191)
BALANCE at December 31, 2018	<u>\$ 15,778</u>	<u>\$ 3,480</u>	<u>\$ 428</u>	<u>\$ 19,686</u>
Net amount, December 31, 2018	<u>\$ 17,417</u>	<u>\$ 3,539</u>	<u>\$ 632</u>	<u>\$ 21,588</u>

The amortization expenses are amortized on a straight-line basis over the following estimated useful lives:

Computer software cost	5 to 10 years
Trademark right	10 years

XIII. Pre-paid lease

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current (listed in other current assets)	\$ 9,430	\$ 9,577
Noncurrent	<u>306,442</u>	<u>320,706</u>
	<u>\$ 315,872</u>	<u>\$ 330,283</u>

As of 31 December 2018 and 2017, the land use rights for the prepaid lease payments in Mainland China were \$156,469,000 and \$167,100,000, respectively, and the land use rights in Vietnam were \$159,403,000 and \$163,183,000, respectively. Both the mainland subsidiary of the Group and the Vietnamese subsidiary have obtained the proof of the state-owned land use rights of the land.

XIV. Other assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Current</u>		
Purchase taxes	\$ 208,853	\$ 47,834
Tax Overpaid Retained for Offsetting the Future Tax Payable	89,439	228,261
Pre-payment	36,977	103,937
Temporary payment	48	19,558
	<u>\$ 335,317</u>	<u>\$ 399,590</u>

<u>Noncurrent</u>		
Pre-payments for equipment	\$ 5,296	\$ 7,020
Guarantee deposits	<u>128</u>	<u>127</u>
	<u>\$ 5,424</u>	<u>\$ 7,147</u>

XV. Borrowings

(I) Short-term borrowings

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Non-guaranteed loans</u>		
Credit loans	<u>\$ 1,935,392</u>	<u>\$ 1,423,812</u>

The interest rates of bank revolving borrowings were respectively at December 31, 2018 and 2017 1.3% - 4.0% and 1.3% - 2.58% ◦

(II) long-term borrowings

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>non-guaranteed loans</u>		
Credit loans	\$ 460,383	\$ 149,143
minus: matured within 1 year	(138,115)	-
long-term borrowings	<u>\$ 322,268</u>	<u>\$ 149,143</u>

<u>non-guaranteed loans</u>	<u>Major clause</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
CTBC Bank	Long-term borrowings, the loan amount is US\$15 million, and interest paid monthly. The interest rate is adjusted every three months according to TAIFX's 3-month rate plus 0.8%. The current rate is 3.5%. Since March 2019, it is in every six-month terms. The period, a total of 4 re-payments of principal, the first three repayments of US\$ 450,000 per period, the final repayment of US\$ 1,650,000.	\$ 92,077	\$ 89,486
CTBC Bank	Long-term borrowings, the loan amount is US\$15 million, and interest paid monthly. The interest rate is adjusted every three months according to TAIFX's 3-month rate plus 0.8%. The current rate is 3.4%. Since April 2019, it is in every six-month terms. The period, a total of 4 re-payments of principal, the first three re-payments of US\$ 300,000 per period, the final re-payment of US\$ 1,100,000.	61,384	59,657
CTBC Bank	Long-term borrowings, the loan amount is US\$5 million, and interest paid monthly. The interest rate is adjusted every three months according to TAIFX's 3-month rate plus 0.8%. The current rate is 3.47%. Since March 2019, it is in every six-month terms. The period, a total of 4 re-payments of principal, the first three re-payments of US\$ 750,000 per period, the final re-payment of US\$ 2,750,000.	153,461	-

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non-guaranteed loans	<u>Major clause</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
CTBC Bank	Long-term borrowings, the loan amount is US\$5 million, and interest paid monthly. The interest rate is adjusted every three months according to TAIFX's 3-month rate plus 0.8%. The current rate is 3.25%. Since March 2019, it is in every six-month terms. The period, a total of 4 re-payments of principal, the first three re-payments of US\$ 750,000 per period, the final re-payment of US\$ 2,750,000.	\$ 153,461	\$ -
minus: list as within 1 year matured part		(<u>138,115</u>)	<u>-</u>
		<u>\$ 322,268</u>	<u>\$ 149,143</u>

XVI. Accounts payable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Accounts payable</u>		
Occurs due to business	<u>\$ 843,979</u>	<u>\$ 834,013</u>

The average credit period for the Group to purchase raw materials from suppliers is 90 days and a financial risk management policy is in place to ensure that all payables are repaid within the pre-agreed credit period.

XVII. Other liabilities

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Current</u>		
Other payables		
Salaries and bonus payables	\$ 80,788	\$ 74,847
Commissions payables	63,988	46,632
equipment payables	54,393	21,688
freight payables	46,725	45,773
material consumption payables	23,267	34,728
insurance payables	12,305	12,674
paid leave payables	5,963	6,172
tax payables	9,493	3,307
Salaries and wages payables	623	1,923
Compensations and Remunerations of Directors' payables	-	721
Others	<u>82,082</u>	<u>84,024</u>
	<u>\$ 379,627</u>	<u>\$ 332,489</u>

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	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other liabilities		
Receipts under custody	\$ 5,049	\$ 4,393
Temporary receipts	967	11,010
Advance sales receipts	-	5,343
	<u>\$ 6,016</u>	<u>\$ 20,746</u>
<u>Noncurrent</u>		
Other liabilities		
Guarantee deposits received	<u>\$ 335</u>	<u>\$ 342</u>

XVIII. Post-employment benefits plan

Defined contribution plans

The Company and CCITW company adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Based on the LPA, the Company and domestic subsidiaries makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total expense recognized in profit or loss for the years ended December 31, 2018 and 2017 was \$1,039,000 and \$714,000, respectively, represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

The Group's Yauchung Corp., Shanghai Keysheen, Shanghai Keysheen Leisure Products, Creative Creations Inc., Courtyard Creations International Limited, Courtyard Creations Inc., STH Company, CCIO Company and Keysheen Vietnam Ltd. have not yet established an employee retirement plan. Moreover, the local government does not have a forced retirement plan for employees. The IAS 19 "Employee Benefits" requirement is not yet applicable.

XIX. Equity

(I) Share capital

Common shares

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
authorized shares (thousand shares)	<u>200,000</u>	<u>200,000</u>
Share capital	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Shares (thousand shares)	<u>104,261</u>	<u>104,261</u>
Share capital	<u>\$ 1,042,610</u>	<u>\$ 1,042,610</u>

The issued ordinary shares with a par value of \$10, each share has the right to vote and receive dividends.

(II) Capital surplus

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>May be used to offset a deficit, distributed as cash dividends or transferred to capital</u>		
The premium from shares issued	<u>\$ 2,113,900</u>	<u>\$ 2,113,900</u>

Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, the capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's paid-in capital and once a year).

(III) Earnings distribution and dividend policy

The Company's Articles of Incorporation provide that annual net income should be appropriated after deducting any accumulated losses before any distribution of dividend and bonus.

When the company has no surplus, it does not score dividends and bonus.

The annual net income should be appropriated after deducting any accumulated losses and taxes and providing legal and special reserves and reversing special reserve. The remaining earnings will be used to pay the accumulated and current year's dividends of Class-A preferred shares, the board of directors will then prepare a proposal for approval at the shareholders' meeting on the appropriation of the remaining earnings and the retained earnings from previous years.

In addition to the undistributed surplus retained by the board of directors, dividends and dividends may be paid to shareholders in proportion to their shareholdings.

Except for the resolutions of the Board of Directors and the Shareholders' Meeting, any remaining profits may be based on the Cayman Company Law and public offering law. After considering the financial, business and operational factors, the shareholders' income is not less than 20% of the current year's after-tax surplus as dividends or bonus. Please refer to Note 21-7 Employees' Compensation and Directors' Compensation for the remuneration of the staff and directors' remuneration distribution policies.

Shareholders' dividends and bonus are divided into two ways: stock dividends, which account for 0% to 50% of total dividends, and cash dividends, which account for 100% to 50% of total dividends.

The shareholders' meeting approved the 2017 and 2016 appropriations of earnings and dividends per share on May 29, 2018 and June 16, 2017 as follows:

	Appropriations of earnings and dividends per share		Dividends Per Share(\$)	
	2017	2016	2017	2016
cash dividends	\$ 36,491	\$ 417,044	\$ 0.35	\$ 4.00

The board of directors approved the 2018 appropriations of earnings and dividends per share on March 13, 2019 as follows:

	Appropriations of earnings and dividends per share	Dividends Per Share(\$)
Special Reserve	\$ 32,457	-

The appropriations of earnings for 2018 is subject to the resolution of the shareholders' meeting on June 12, 2019.

XX. Revenue

(I) Description of the Contracts with Customers

Sales revenue comes from the sale of outdoor leisure furniture and rattan furniture.

	2018	2017
Revenue from Contracts with Customers		
Revenue from Sales	<u>\$ 6,152,017</u>	<u>\$ 4,867,900</u>

(II) Contract balance

	December 31, 2018
Account receivables (Note 8)	<u>\$ 2,125,863</u>
contract liabilities	
Contract liabilities-current	<u>\$ 6,335</u>

(III) Detail of revenue from contracts with customers

	2018	2017
outdoor furniture	\$ 5,273,297	\$ 4,491,861
rattan tables and chairs	<u>878,720</u>	<u>376,039</u>
Total	<u>6,152,017</u>	<u>4,867,900</u>

XXI. Net profit (loss)

(I) Other revenues

	2018	2017
interest revenue		

bank deposit	\$ 19,528	\$ 15,744
Subsidy income (Note 24)	38,677	-
Others	<u>17,414</u>	<u>47,056</u>
	<u>\$ 75,619</u>	<u>\$ 62,800</u>
 (II) Other gains and losses		
	<u>2018</u>	<u>2017</u>
net loss in foreign currency exchange	(\$ 66,471)	(\$ 19,383)
Profit/loss of financial assets and financial liabilities		
Financial liabilities designated at fair value through profit or loss	(24,734)	-
Financial liabilities held for trading	-	8,671
Loss on disposal of real estate, plants and equipment	(565)	(8,005)
Others	<u>(2,835)</u>	<u>(9,307)</u>
	<u>(\$ 94,605)</u>	<u>(\$ 28,024)</u>
 (III) Financing costs		
	<u>2018</u>	<u>2017</u>
Interest of borrowings from banks	<u>\$ 41,820</u>	<u>\$ 4,108</u>
 (IV) Reversal of impairment (loss)		
	<u>2018</u>	<u>2017</u>
Account receivables	<u>(\$ 76)</u>	<u>\$ 18</u>
Inventories (included in operating costs)	<u>(\$ 8,149)</u>	<u>(\$ 2,509)</u>
 (V) Depreciation and amortization		
	<u>2018</u>	<u>2017</u>
Property, plant and equipment	\$ 204,637	\$ 179,962
Pre-paid lease	9,500	9,594
Intangible Assets	<u>4,287</u>	<u>4,312</u>
Total	<u>\$ 218,424</u>	<u>\$ 193,868</u>

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	<u>2018</u>	<u>2017</u>
Depreciation expenses		
aggregated by function		
Operating costs	\$ 104,076	\$ 81,135
Operating expenses	<u>100,561</u>	<u>98,827</u>
	<u>\$ 204,637</u>	<u>\$ 179,962</u>
Amortization expenses		
aggregated by function		
Operating costs	\$ 2,013	\$ 962
Selling expenses	686	702
Management expenses	10,968	12,128
Research and development expenses	<u>120</u>	<u>114</u>
	<u>\$ 13,787</u>	<u>\$ 13,906</u>
 (VI) Employee benefits expenses		
	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 1,015,148	\$ 887,809
Post-employment benefits (Note 18)		
Defined contribution plans	<u>1,039</u>	<u>714</u>
Total employee benefits expenses	<u>\$ 1,016,187</u>	<u>\$ 888,523</u>
Aggregated by function		
Operating costs	\$ 755,539	\$ 633,692
Operating expenses	<u>260,648</u>	<u>254,831</u>
	<u>\$ 1,016,187</u>	<u>\$ 888,523</u>

(VII) Employees' Compensation and Directors' Compensation

The Company's Articles of Incorporation provide that, if there is any profit at the end of the fiscal year (the so-called profit refers to the net profit before tax minus the distribution of employee compensation and the net profit before the director's compensation), the ratio should be as follows:

1. The Company allocates from its annual profit more than 0.10% as employees' compensation. When employees' compensation is delivered in stock, the employees of the subsidiaries company that meet certain criteria, can be allocated. The conditions for allocation must be determined by the board of directors.

2. It is not more than 3.5% as remuneration of directors and will be delivered entirely in cash. But if the Company has incurred cumulative losses (including adjusted retained earnings), the profit should be used instead to offset the losses.
3. Items 1 and 2 shall be decided by the board of directors and reported to the shareholders' meeting.

The board of directors approved the 2018 and 2017 appropriations for employees' compensation and directors' compensation on March 13, 2019 and March 14, 2018 as follows:

Estimated ratio

	<u>2018</u>	<u>2017</u>
Salaries and wages	-	4%
Directors' Compensation	-	1.5%

Amount

	<u>2018</u>	<u>2017</u>
	<u>C a s h</u>	<u>C a s h</u>
Salaries and wages	\$ -	\$ 1,923
Directors' Compensation	-	721

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimates.

These amounts were the same as those recognized in the financial statements and delivered accordingly. The above approval employees' compensation and directors' compensation for 2017 and 2016 has been reported in each Consolidated Financial Statements.

The information on the proposed and approved compensations to employees and supervisor of 2019 & 2018 is available at the Market Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange.

(VIII) profit(loss) in foreign currency exchange

	<u>2018</u>	<u>2017</u>
total profit in foreign currency exchange	\$ 85,241	\$ 60,831
Total loss in foreign currency exchange	(<u>151,712</u>)	(<u>80,214</u>)
Net (loss) profit	(<u>\$ 66,471</u>)	(<u>\$ 19,383</u>)

XXII. Income Tax

(I) The major components of income tax recognized in profit or loss

	<u>2018</u>	<u>2017</u>
Current tax		
Current period year	\$ 94,904	\$ 192,198
Withholding tax of Inward Remittance of Earnings	<u>27,137</u>	<u>-</u>
	<u>122,041</u>	<u>192,198</u>

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	<u>2018</u>	<u>2017</u>
Deferred tax		
Current period year	(\$ 18,274)	(\$ 100,444)
Withholding tax of Inward Remittance of Earnings	<u>20,443</u>	<u>21,645</u>
	<u>2,169</u>	(<u>78,799</u>)
Income tax recognized in profit or loss	<u>\$ 124,210</u>	<u>\$ 113,399</u>

A reconciliation of accounting profit and current income tax expenses is as follows:

	<u>2018</u>	<u>2017</u>
Profit before tax	<u>\$ 73,893</u>	<u>\$ 158,457</u>
Income before income tax based on the income of the country concerned		
Income tax expenses for the rate of the corporate surtax applicable (profit)	\$ 62,845	(\$ 3,301)
Fees that cannot be deducted from taxes	2,474	3,553
Deferred tax of subsidiary earnings	(16,720)	91,540
Unrecognized loss carryforwards	9,334	710
Unrecognized deductible temporary differences	18,697	(748)
Withholding tax of Inward Remittance of Earnings	<u>47,580</u>	<u>21,645</u>
Income tax recognized in profit or loss	<u>\$ 124,210</u>	<u>\$ 113,399</u>

According to the Income Tax Act, the applicable corporate income tax rate of 2017 will be 17%. In February 2018, it was announced that the Income Tax Act was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In the Consolidated Financial Statements, only the CCIO company CCITW company in the Republic of China applies the aforementioned amendment bill. The tax rate applicable to subsidiaries in China is 25%; the tax rate applicable to subsidiaries in Vietnam is 20%.

The above-mentioned domestic tax rates applicable to the relevant countries' income are as follows. Shanghai Keysheen, Shanghai Keysheen Leisure Products Co.,

Ltd., and Creative Creations Inc. are subject to the “Enterprise Income Tax Law of the People's Republic of China”, and the tax rate is 25%. According to local laws, Courtyard Creations International Limited has a tax rate of 16.5%. CCITW applies the Republic of China Income Tax Law with a tax rate of 20%. According to local laws, the Keysheen Vietnam Ltd. has a tax rate of 20% and enjoys a two-to-four-half tax rate reduction since its establishment. The company, Courtyard Creations Inc., Yauchung Corp., CCIO Company, and STH Company of the group are entitled to tax rates in accordance with local laws due to registration in tax-free countries.

(II) Current tax assets and liabilities

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current tax assets		
Income tax refund receivable	<u>\$ 7,959</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payable	<u>\$ 40,965</u>	<u>\$ 130,023</u>

(III) Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities were as follows:

2018

	Beginning balance	Recognized in profit or loss	Current dividends Tax of Inward Remittance	Exchange difference	Ending Balance
<u>Deferred tax assets</u>					
Temporary differences					
Associates	\$ 116	(\$ 116)	\$ -	\$ -	\$ -
Allowance for loss	<u>6,626</u>	<u>1,548</u>	<u>-</u>	<u>(39)</u>	<u>8,135</u>
	<u>\$ 6,742</u>	<u>\$ 1,432</u>	<u>\$ -</u>	<u>(\$ 39)</u>	<u>\$ 8,135</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Associates	\$ 132,374	(\$ 16,720)	\$ -	(\$ 2,436)	\$ 113,218
Withholding tax of Inward Remittance of Earnings	<u>28,234</u>	<u>20,443</u>	<u>(28,234)</u>	<u>(319)</u>	<u>20,124</u>
	<u>\$ 160,608</u>	<u>\$ 3,723</u>	<u>(\$ 28,234)</u>	<u>(\$ 2,755)</u>	<u>\$ 133,342</u>

2017

	Beginning balance	Recognized in profit or loss	Current dividends Tax of Inward Remittance	Exchange difference	Ending Balance
<u>Deferred tax assets</u>					
Temporary differences					
Associates	\$ -	\$ 118	\$ -	(\$ 2)	\$ 116
Allowance for loss	<u>-</u>	<u>6,689</u>	<u>-</u>	<u>(63)</u>	<u>6,626</u>
	<u>\$ -</u>	<u>\$ 6,807</u>	<u>\$ -</u>	<u>(\$ 65)</u>	<u>\$ 6,742</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Associates	\$ 235,667	(\$ 99,803)	\$ -	(\$ 3,490)	\$ 132,374

Allowance for loss reduction of inventory to market and obsolescence loss	(141)	141	-	-	-
Unrealized Gain or Loss on foreign currency exchange	37	(37)	-	-	-
Withholding tax of Inward Remittance of Earnings	<u>36,491</u>	<u>21,645</u>	<u>(29,426)</u>	<u>(476)</u>	<u>28,234</u>
	<u>\$ 265,992</u>	<u>(\$ 71,992)</u>	<u>(\$ 29,426)</u>	<u>(\$ 3,966)</u>	<u>\$ 160,608</u>

(IV) The unused loss carryforwards of unrecognized deferred tax assets in the consolidated balance sheets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
loss carryforwards		
Expired in 2023	\$ 101,039	\$ -
Expires in 2026	-	1,384
Expires in 2027	<u>1,088</u>	<u>3,552</u>
	<u>\$ 102,127</u>	<u>\$ 4,936</u>

(V) The status of examined income tax returns

The income tax returns of CCIO's Taiwan branch CCITW company's through 2016 have been examined by the tax authorities.

XXIII. Earnings (Deficit) Per Share

	Dollars Per Share	
	<u>2018</u>	<u>2017</u>
Basic earnings (deficit) per share	(<u>\$ 0.48</u>)	<u>\$ 0.43</u>
Diluted earnings (deficit) per share	(<u>\$ 0.48</u>)	<u>\$ 0.43</u>

The weighted-average number of common shares outstanding in the computation of Earnings (Deficit) Per Share are as follow:

Net profit (loss)

	<u>2018</u>	<u>2017</u>
Net profit(loss) attributed to Stockholders of the Company	(<u>\$ 50,317</u>)	<u>\$ 45,058</u>

Shares

	Unit: thousand shares	
	<u>2018</u>	<u>2017</u>
The weighted-average number of common shares outstanding in computation of basic earnings (deficit) per share	104,261	104,261
Effect of potentially dilutive common shares:		
Salaries and wages	<u>-</u>	<u>92</u>

The weighted-average number of common shares outstanding in computation of diluted earnings (deficit) per share	<u>104,261</u>	<u>104,353</u>
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If the Group decides to give an employee bonus in the form of cash or shares, the Group should presume that the entire amount of the bonus will be in the form of shares and if the resulting potential shares have a dilutive effect, these shares should be included in the weighted-average number of shares outstanding to be used in the calculation of diluted earnings per share. The dilutive effect of the potential shares should be included in the computation of diluted earnings per share until the board of directors resolve at their meeting in the following year the number of shares to be distributed to employees.

XXIV. Government grants

The government subsidy income is the compensation received by Shanghai Keysheen Leisure Products Co., Ltd. of the Group in conjunction with the government's adjustment of the relocation and transportation project, and the agreement with the local government authorities.

- (I) Shanghai Keysheen of the Group signed the “Shanghai Municipality Compensation Agreement for Non-residential Land Acquisition of State-owned Land” with the Xianghuaqiao Sub-district Office of Qingpu District People's Government in December 2017 for cooperation with the government's construction plan. The scope of subsidy includes building and construction, relocation of non-removable equipment and other relocation equipment and relocation compensation, etc. The total compensation amount is RMB 3,250,000. The Group recognizes the net government subsidy income \$7,035,000 in 2018.
- (II) Shanghai Keysheen of the Group signed the “Shanghai Municipality Compensation Agreement for Non-residential Land Acquisition of State-owned Land” with the Xianghuaqiao Sub-district Office of Qingpu District People's Government in June 2018 for cooperation with the government's construction plan. The scope of subsidy includes building and construction, relocation of non-removable equipment and other relocation equipment and relocation compensation, etc. The total compensation amount is RMB 7,292,000. The Group recognizes the net government subsidy income \$31,642,000 in 2018.

XXV. Non-cash transaction

The Group has invested and raised funds for the following non-cash transactions in 2018 and 2017:

- (I) On December 31, 2018, the Group transferred \$21,295,000 prepayments for equipment to real estate, plant and equipment. (Please refer to Note 11)
- (II) The Group acquired real estate, plants, and equipment with at fair value of \$247,687,000 in 2018. The amount of equipment payable increased by \$32,705,000, and the total amount of cash paid for real estate, plants, and equipment was \$214,982,000. (Please refer to Note 11)
- (III) The Group acquired real estate, plants, and equipment with at fair value of \$482,684,000 in 2017. The amount of equipment payable increased by \$6,732,000, and the total amount of cash paid for real estate, plant and equipment was \$475,952,000. (Please refer to Note 11)

XXVI. Capital risk management

The Group conducts capital management to ensure that all companies within the group can be raised before continuing operations, by maximizing the balance of debt and equity to maximize shareholder compensation.

The Group capital structure consists of the net debt of the Group (i.e., borrowings minus cash and cash equivalents) and equity (i.e. equity, capital surplus, retained earnings, and other equity items).

The Group is not subject to other external capital requirements.

The major management of the Group examines the capital structure of the group on a quarterly basis. The review includes consideration of the cost of various types of capital and related risks. Based on the recommendations of the major management, the Group will balance its overall capital structure by paying dividends, issuing new shares, buying back shares and issuing new debts or repaying old debts.

XXVII. Financial Instruments

- (I) Fair value information of financial instruments- financial instruments not carried at fair value

The management of the company believes that the carrying amount of financial assets and financial liabilities that are not carried at fair value is expected to be close to their fair value.

- (II) Fair value information of financial instruments- financial instruments carried at fair value on repetitive basis
 - 1. Fair value level

December 31, 2018

	<u>level 1</u>	<u>level 2</u>	<u>level 3</u>	<u>Total</u>
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative Financial Instruments	\$ -	\$ 25,315	\$ -	\$ 25,315

December 31, 2017

	<u>level 1</u>	<u>level 2</u>	<u>level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Derivative Financial Instruments	\$ -	\$ 8,430	\$ -	\$ 8,430

In 2018 and 2017, there is no transfer between level 1 and level 2 of fair value measurement.

2. Evaluation techniques and inputs for the Level 2 of fair value measurement

Financial Instruments

<u>category</u>	<u>Evaluation techniques and inputs</u>
The derivative financial instruments- forward contracts	The discounted cash flow method: the future cash flows are estimated at the observable forward exchange rate and the exchange rate stipulated at the end of the period, and discounted at a discount rate that reflects the credit risk of each counterparty.

(III) type of financial instruments

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets</u>		
at fair value through profit or loss		
held for trading (Note 1)	\$ -	\$ 8,430
The loans and receivables (Note 2)	-	2,769,854
Financial assets measured at amortized cost assets (Note 3)	3,702,168	-
<u>Financial liabilities</u>		
at fair value through profit or loss		
Held-for-trading	25,315	-
Measured at amortized cost (Note 4)	3,619,716	2,739,799

Note 1: Balance including categorized balance of held for trading unquoted equity instruments

Note 2: Balance including cash and cash equivalents, note receivable, account receivables, other receivables, and guarantee deposits, which are loans and receivables measured at amortized cost

Note 3: Balance including cash and cash equivalents, account receivables, other receivables, and guarantee deposits, which are financial assets measured at amortized cost

Note 4: Balance including short-term borrowings, accounts payable, other payable, long-term borrowings, and guarantee deposits received, which are financial liabilities measured at amortized cost

(IV) The financial risk management purpose and policies

Market risks (including exchange rate risk and interest rate risk), credit risk, and liquidity risk faced by the Group's operating activities. The Board of Directors manages the overall risk and aims to minimize the potential adverse effects of the Group's financial performance.

1. Market risks

The main financial risk of the Group is the foreign currency exchange rate risk (see (1) below) and the risk of interest rate changes (see (2) below). The Group is engaged in various derivative financial instruments to manage the foreign currency exchange rate and interest rate risk, including:

- A. Avoiding exchange rate risks arising from the export of outdoor leisure furniture with forward contracts;
- B. With interest rate swaps to mitigate the risk of rising interest rates; and
- C. The forward contracts is used to mitigate the exchange rate risk arising from the conversion of the Group's investment in foreign operations.

There is no change in the market risk related to financial instruments and the management and measurement of such risks for the Group.

(1) Exchange rate risks

The Group engages in forward contracts, which is the exchange rate risk of circumventing foreign currency assets, liabilities or foreign currency commitments. As the gains and losses arising from exchange rate changes are roughly offset by the profits and losses of the hedged items, the market price risk is not significant.

There is no change in the market risk related to financial instruments and the management and measurement of such risks for the Group.

The carrying amount of monetary assets and monetary liabilities denominated in the non-functional currency at the end of each reporting period and the carrying amount of derivatives with exchange rate risk insurance are referred to Note 34.

The main exposure of currency for the Group is US dollar, and the sensitivity analysis of the appreciation of the US dollar against the RMB and the VND and the depreciation of 1% is used as the risk of reporting the exchange rate changes to the major internal management.

Sensitivity analysis is a combination of specific foreign currency holdings held by the Group and affected by a 1% fluctuation in the foreign currency exchange rate at the end of the year. The following summary table represents the amount of net profit before tax for the current year when the US dollar appreciates, if other conditions remain unchanged.

	influence of USD to RMB		influence of USD to VND	
	2018	2017	2018	2017
Effect of profit loss changes (before tax)	\$ 919	(\$ 1,056)	(\$ 7,931)	(\$ 5,075)

(2) Interest rate risk

The Group holds bank deposits and borrowings, and the Group's revenue and operating cash flows are not subject to changes in market interest rates due to fluctuations in deposit and borrowing rates.

The following sensitivity analysis is based on the interest rate risk of non-derivatives financial instruments at the end of the financial reporting period.

The Group increased or decreased by 0.5% as a reasonable risk assessment to report changes in interest rates to management. Profit before tax

If the other conditions remain unchanged and the interest capitalization factor is not taken into account, the interest rate increased by 0.5%, and the pre-tax net profit for the Group in 2018 and 2017 will be reduced by \$4,152,000 and reduced by \$1,032,000 respectively.

2. Credit risk

Credit risk refers to the risk that the counterparty defaults on the contractual obligations and causes financial loss to the Group. As of the balance sheet date, the maximum credit risk of financial losses caused by the Group's unfulfilled obligations and the financial guarantees provided by the Group is mainly due to the carrying amount of financial assets recognized in the consolidated balance sheet.

Except for the Group's largest customer, Company A, the Group does not have a significant credit risk for any single counterparty or any group of counterparties with similar characteristics. Among the accounts receivable balances as of December 31, 2018 and 2017, the amounts to Company A were \$652,469,000 and \$533,627,000 respectively.

In addition, because the counterparties of current assets and derivative financial instruments are banks that are highly credit rated by international credit rating agencies, the credit risk is not high.

3. Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents to support the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group supervises the use of bank financing quotas and ensures compliance with the terms of the loan contract.

Borrowings from bank is an important source of liquidity for the Group. As of December 31, 2018 and 2017, the available bank credit lines of the Group were \$1,554,597,000 and \$2,360,735,000, respectively.

The table below is the details of the liquidity analysis of group for derivative financial instruments, and the derivatives for gross settlement are based on undiscounted total cash inflows and outflows. When the payables or receivables is not fixed, the amount disclosed is determined based on the estimated interest rate estimated by the daily balance sheet curve.

December 31, 2018

	Payment on sight or Within one month	1 month to 3 months	3 months to 12 months	Over 1 year	Total
Gross settlement					
Forward contracts					
Inflow	\$ 297,794	\$ 447,712	\$ 90,058	\$ -	\$ 835,564
Outflow	(307,338)	(461,359)	(92,182)	-	(860,879)
	(9,544)	(13,647)	(2,124)	-	(25,315)

December 31, 2017

	Payment on sight or Within one month	1 month to 3 months	3 months to 12 months	Over 1 year	Total
Gross settlement					
Forward contracts					
Inflow	\$ 121,295	\$ 182,542	\$ 122,849	\$ -	\$ 426,686
Outflow	(119,170)	(179,311)	(119,775)	-	(418,256)
	<u>\$ 2,125</u>	<u>\$ 3,231</u>	<u>\$ 3,074</u>	<u>\$ -</u>	<u>\$ 8,430</u>

XXVIII. Related-Party Transactions

All intragroup transactions, balances, income and expenses are eliminated in full upon consolidation, which were not disclosed at the note. Related parties and their relationships with the Group

(I) Related Party and the Relationship with the Group

<u>Related Party</u>	<u>Relationship with the Group</u>
LIU CHUNG-HSIN	key management personnel

(II) Business transaction- rent expenditure

<u>Related Party</u>	<u>2018</u>	<u>2017</u>
LIU CHUNG-HSIN	<u>\$ 4,200</u>	<u>\$ 4,200</u>

<u>2018</u>				
<u>Lessor</u>	<u>Lease target</u>	<u>Lease Term</u>	<u>Rent calculation / payment type</u>	<u>Rent expenditure</u>
LIU CHUNG-HSIN	Office at Floor 16 No.95 MingChen Road, ShinDen District, New Taipei City	2018.1.1 - 2018.12.31	The rent is 350,000 per month and is due before the 10th of each month.	\$ 4,200

<u>2017</u>				
<u>Lessor</u>	<u>Lease target</u>	<u>Lease Term</u>	<u>Rent calculation / payment type</u>	<u>Rent expenditure</u>
LIU CHUNG-HSIN	Office at Floor 16 No.95 MingChen Road, ShinDen District, New Taipei City	2017.1.1 - 2017.12.31	The rent is 350,000 per month and is due before the 10th of each month.	\$ 4,200

(III) Endorsement or guarantee

Endorsement or guarantee provided, please refer to TABLE 2

(IV) Compensation of key management personnel

	<u>2018</u>	<u>2017</u>
Short-term employee benefits	<u>\$ 22,152</u>	<u>\$ 38,384</u>

Retirement benefits	<u>174</u>	<u>201</u>
	<u>\$ 22,326</u>	<u>\$ 38,585</u>

The compensation of directors and other key management personnel is determined by the Remuneration Committee based on individual performance and market trends.

XXIX. Pledged or mortgaged assets: none.

XXX. Significant contingencies liabilities and unrecognized commitments:

In addition to those disclosed in other notes, significant unrecognized commitments of the Group are as follows:

significant commitments

Significant unrecognized commitments of the Group are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Acquisition of real estates, plants, and equipment	<u>\$ 24,540</u>	<u>\$ 108,834</u>

XXXI. Significant disaster losses: none.

XXXII. Significant in subsequent period: none.

XXXIII. Information of foreign currency assets and liabilities with significant influences

The following information is aggregated in foreign currencies other than the functional currency of the Group. The exchange rate disclosed is the exchange rate of the foreign currency into the functional currency. foreign currency assets and liabilities with significant influences are as follows:

(In dollars of foreign currencies / Unit: In Thousands of New Taiwan Dollars)

December 31, 2018

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>The carrying amounts</u>
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 3,250,527	6.86 (USD:RMB)	\$ 99,766
RMB	50,522,082	0.15 (RMB:USD)	225,928
USD	1,402,046	23,256 (USD:VND)	43,032
USD	15,367,572	30.77 (USD:NTD)	<u>472,015</u>
			<u>\$ 840,741</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	255,312	6.86 (USD:RMB)	\$ 7,900

RMB	-	0.15 (RMB:USD)	-
USD	27,246,801	23.256 (USD:VND)	836,123
USD	45,470	30.77 (USD:NTD)	13,959
			<u>\$ 857,982</u>

December 31, 2017

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>The carrying amounts</u>
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 803,983	6.54 (USD:RMB)	\$ 23,990
RMB	1,310,369	0.15 (RMB:USD)	5,980
USD	919,265	22.727 (USD:VND)	27,420
USD	8,765,393	29.76 (USD:NTD)	266,514
			<u>\$ 323,904</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	4,334,851	6.54 (USD:RMB)	\$ 129,566
RMB	26,760,504	0.15 (RMB:USD)	122,133
USD	17,933,440	22.727 (USD:VND)	534,930
USD	291,630	29.76 (USD:NTD)	8,699
			<u>\$ 795,328</u>

The Group mainly bears the exchange rate risk of the US dollar and the RMB. The following information is aggregated in the functional currency of an individual holding a foreign currency. The exchange rate disclosed is the exchange rate of the functional currency into the currency of expression. Unrealized Gain or Loss on foreign currency exchange in foreign currency exchange

Functional currency	2018		2017	
	<u>The exchange rate of the functional currency into the currency of expression</u>	<u>Net gain or loss on foreign currency exchange</u>	<u>The exchange rate of the functional currency into the currency of expression</u>	<u>Net gain or loss on foreign currency exchange</u>
USD	30.34(USD:NTD)	\$ 4,390	30.68(USD:NTD)	(\$ 16,379)
RMB	4.54(RMB:NTD)	(52,126)	4.53 (RMB:NTD)	(2,828)
VND	0.0013 (VND:TWD)	(<u>18,735</u>)	0.0013 (VND:TWD)	(<u>176</u>)
		(<u>\$ 66,471</u>)		(<u>\$ 19,383</u>)

XXXIV. Additional Disclosures

(I) Significant transactions and (II) following is the additional information required for the Company and investees:

1. Financing provided (TABLE 1)

2. Endorsement/guarantee provided (TABLE 2)
3. Shareholding at the end of the period (excluding investment subsidiaries, affiliates, and joint venture control) (none)
4. Marketable securities acquired and disposed of, at costs or prices of at least \$300 million or 20% of the paid-in capital. (none)
5. Acquisition of individual real estate at prices of at least \$300 million or 20% of the paid-in capital. (TABLE 3)
6. Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital. (none)
7. Sales and purchasing goods with related parties of at least \$100 million or 20% of the paid-in capital. (TABLE 4)
8. Account receivables with related parties of at least \$100 million or 20% of the paid-in capital. (TABLE 5)
9. Proceed derivative financial instruments transaction. (Note 7 & 26)
10. Others: related party transactions and amount. (TABLE 6)
11. Investee company information (TABLE 7)

(II) Information related to investment in Mainland China

1. Investee in China, main businesses and products, total amount of paid-in capital, method of investment, investment flows, percentage of ownership, equity in the earnings(losses), carrying amount of the investment at the end of the period, accumulated inward remittance of earnings, and limit on investment. (TABLE 8)
2. The following major transactions with the mainland investee company directly or indirectly through the third region, and their prices, payment terms, unrealized gains and losses: (TABLE 8)
 - (1) Ending balance and percentage of purchases and percentages and related payables
 - (2) Ending balance of and percentage of the sales amount and the related receivables.
 - (3) The amount of the property transaction and the amount of profit or loss it generates.
 - (4) Ending balance of endorsement, guarantee, or provision of the collateral and its purpose
 - (5) The highest balance, ending balance, interest rate range and total interest for the current period.

- (6) Other transactions that have a significant impact on the current profit/loss or financial position, such as the provision or receipt of services.

XXXV. Segment Information

Information provided to key operational decision makers to allocate resources and assess departmental performance, focusing on the types of products or services that are delivered or provided. The Group operating segments report the following:

Department of outdoor furniture: is the production of various types of outdoor steel furniture and home textiles.

Department of rattan tables and chairs: is the production of outdoor metal and artificial plastic rattan tables and chairs and equipment.

(I) Segment revenue and operating results

The Group's segment revenue and operating results are shown as follows:

	<u>Segment revenue</u>		<u>Segment income (loss)</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Department of outdoor furniture	\$ 5,835,581	\$ 4,847,128	\$ 308,539	\$ 298,342
Department of rattan tables and chairs	878,720	376,039	(125,704)	(148,935)
Adjustment eliminated amount	(562,284)	(355,267)	(48,136)	(21,618)
Sub-total	<u>\$ 6,152,017</u>	<u>\$ 4,867,900</u>	<u>\$ 134,699</u>	<u>\$ 127,789</u>
Net loss in foreign currency exchange			(\$ 66,471)	(\$ 19,383)
Interest revenue			19,528	15,744
Subsidy income			7,035	-
Other revenues			17,414	47,056
Disposal of real estate, plants, and equipment				
Loss			(565)	(8,005)
Dispose of land use rights			31,642	-
Financial Instruments				
Valuation Gains or Losses			(24,734)	8,671
Financing costs			(41,820)	(4,108)
Other expenditures			(2,835)	(9,307)
Profit before tax			<u>\$ 73,893</u>	<u>\$ 158,457</u>

Inter-department sales are based on market prices

Departmental interest refers to the profit earned by each department, excluding: rent revenue, interest revenue, loss on disposal of real estate, plants, and equipment, net profit(loss) in foreign currency exchange, profit(loss) in financial instruments valuation, financing costs, other expenditures, and tax expenses. This measure is provided to the chief operating decision maker to allocate resources to the department and to measure its performance.

(II) Total assets of the department

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Assets of the department</u>		
Department of outdoor furniture	\$ 5,541,336	\$ 5,722,675
Department of rattan tables and chairs	<u>2,285,868</u>	<u>1,463,860</u>
Total assets	<u>\$ 7,827,204</u>	<u>\$ 7,186,535</u>

(III) Segmented by region

Noncurrent assets The income of the Group from external customers is classified according to the country where the customer is located and the non-current assets are classified according to the location of the assets as follows:

	<u>Revenue from external customers</u>		<u>Noncurrent assets</u>	
	<u>2018</u>	<u>2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
America	\$ 5,602,087	\$ 4,218,932	\$ -	\$ -
Europe	367,282	491,799	-	-
Oceania	154,740	124,036	-	-
Africa	7,556	4,923	-	-
Asia	20,352	28,210	2,155,017	2,138,014
Others	-	-	11,987	13,434
	<u>\$ 6,152,017</u>	<u>\$ 4,867,900</u>	<u>\$ 2,167,004</u>	<u>\$ 2,151,448</u>

Non-current assets do not include assets classified as deferred tax asset.

(IV) Major customer information

The income from a single customer is more than 10% of the total revenue of the Group as follows:

<u>Customer</u>	<u>2018</u>	<u>2017</u>
Customer A	\$ 1,934,970	\$ 1,673,492
Customer B	682,592	323,743
Customer C	369,226	469,725
	<u>\$ 2,986,788</u>	<u>\$ 2,466,960</u>

Keysheen (Cayman) Holdings Co., Limited and subsidiaries

Financing Provided
2018

TABLE 1

Unit: In Thousands of New Taiwan Dollars/ in dollars of foreign currencies

Number (Note 1)	Financier	Counterparty	Financial Statement Account	Related Parties	Maximum Balance for the Year	Ending balance	Amount Actually Drawn	Interes t Rate (%)	Financing Type	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Amount Limit (Note 2)	Note	
													Name	Value				
1	Shanghai Keysheen Leisure Products Co., Ltd.	Keysheen Industry (Shanghai) Co., Ltd.	Other receivables	Yes	\$ 424,840 (RMB 95,000,000)	\$ - (RMB -)	\$ - (RMB -)	4%	Short-term financing needs	-	Operating use	\$ -	-	\$ -	\$ -	(1)	(1)	
2	Sinture Holding Ltd	Keysheen Vietnam Ltd.	Other receivables	Yes	153,575 (USD 5,000,000)	153,575 (USD 5,000,000)	153,575 (USD 5,000,000)	2.5%	Short-term financing needs	-	Operating use	-	-	-	187,291 (2)	187,291 (2)		
2	Sinture Holding Ltd	Creative Courtyards International Ltd.	Other receivables	Yes	215,005 (USD 7,000,000)	- (USD -)	- (USD -)	1.65%	Short-term financing needs	-	Operating use	-	-	-	187,291 (2)	187,291 (2)		
3	Courtyard Creations Inc.	Keysheen (Cayman) Holdings Co., Limited	Other receivables	Yes	245,720 (USD 8,000,000)	- (USD -)	- (USD -)	1.65%	Short-term financing needs	-	Operating use	-	-	-	207,088 (3)	207,088 (3)		
3	Courtyard Creations Inc.	Sinture Holding Ltd.	Other receivables	Yes	153,575 (USD 5,000,000)	- (USD -)	- (USD -)	2%	Short-term financing needs	-	Operating use	-	-	-	517,721 (4)	517,721 (4)		
3	Courtyard Creations Inc.	Keysheen Vietnam Ltd.	Other receivables	Yes	276,204 (USD 8,992,485)	276,204 (USD 8,992,485)	276,204 (USD 8,992,485)	2.5%	Short-term financing needs	-	Operating use	-	-	-	517,721 (4)	517,721 (4)		
4	Yauchung Investment Corp.	Courtyard Creations Inc.	Other receivables	Yes	107,503 (USD 3,500,000)	107,503 (USD 3,500,000)	107,503 (USD 3,500,000)	-	Short-term financing needs	-	Operating use	-	-	-	3,686,780 (5)	3,686,780 (5)		
4	Yauchung Investment Corp.	Sinture Holding Ltd.	Other receivables	Yes	76,788 (USD 2,500,000)	76,788 (USD 2,500,000)	76,788 (USD 2,500,000)	-	Short-term financing needs	-	Operating use	-	-	-	3,686,780 (5)	3,686,780 (5)		

Calculated according to the Regulations Governing Lending Limits of Financier is as follows:

Note 1: The description of the number column is as follows:

- (1) Issuer fills 0.
- (2) The invested company is numbered sequentially by the Arabic number 1 according to the company.

Note 2: Calculated according to the Regulations Governing Lending Limits of Financier is as follows:

- (1) Shanghai Keysheen Leisure Products Co., Ltd. has completed the liquidation procedure in October 2018.
- (2) Individual target lending limits = 100% of net value of Sinture Holding Ltd = 187,291 × 100% = 187,291
Total lending limits = 100% of net value of Sinture Holding Ltd = 187,291 × 100% = 187,291
- (3) Individual target lending limits = 40% of net value of Courtyard Creations Inc. = 517,721 × 40% = 207,088
Total lending limits = 40% of net value of Courtyard Creations Inc. = 517,721 × 40% = 207,088

(4) Individual target lending limits = 100% of net value of Courtyard Creations Inc. = $517,721 \times 100\%$ = 517,721

Total lending limits = 100% of net value of Courtyard Creations Inc. = $517,721 \times 100\%$ = 517,721

(5) Individual target lending limits = 100% of net value of Yauchung Investment Corp. = $3,686,780 \times 100\%$ = 3,686,780

Total lending limits = 100% of net value of Yauchung Investment Corp. = $3,686,780 \times 100\%$ = 3,686,780

Keysheen (Cayman) Holdings Co., Limited and subsidiaries
Endorsement/guarantee provided
2018

TABLE 2

Unit: In Thousands of New Taiwan Dollars/ in dollars of foreign currencies

Number	Endorsement / Guarantee Provider	Counterparty		Individual Limits on Endorsement / Guarantee	Maximum Balance for the year on Endorsement / Guarantee	Ending Balance of the year on Endorsement / Guarantee	Amount Actually Drawn	Collateralized by Properties Endorsement / Guarantee Amount	Ratio of Accumulated Amount of Endorsement / Guarantee to Net Asset Value of the Latest Financial Statement (%)	Maximum Endorsement / Guarantee Amounts Allowable	Parent company to subsidiary maximum endorsement / guarantee amounts allowable	Subsidiary to parent company maximum endorsement / guarantee amounts allowable	Endorsement / Guarantee for parties in mainland China	Note
		Provider	Nature of Relationship											
0	Keysheen (Cayman) Holdings Co., Ltd.	Courtyard Creations Inc.	The parent company and the subsidiary company hold more than 50% of the invested company	\$ 11,986,545	\$ 2,825,780 (USD 92,000,000)	\$ 2,103,978 (USD 68,500,000)	\$ 1,197,885 (USD 39,000,000)	\$ -	52.66%	\$ 11,986,545	Y	N	N	
0	Keysheen (Cayman) Holdings Co., Ltd.	Sinture Holding Ltd.	Subsidiaries that directly hold more than 50% of common stocks.	11,986,545	614,300 (USD 20,000,000)	614,300 (USD 20,000,000)	153,575 (USD 5,000,000)	-	15.37%	11,986,545	Y	N	N	
0	Keysheen (Cayman) Holdings Co., Ltd.	Creative Courtyards International Ltd.	The parent company and the subsidiary company hold more than 50% of the invested company	11,986,545	1,489,678 (USD 48,500,000)	1,075,025 (USD 35,000,000)	1,046,093 (USD 29,500,000 NTD 140,000)	-	26.91%	11,986,545	Y	N	N	

Note 1: The description of the number column is as follows:

Issuer fills 0.

The invested company is numbered sequentially by the Arabic number 1 according to the company.

Note 2: The amount of endorsement or guarantee is 300% of the worth of the subsidiaries of the Group, which is held by 100% owned company stated in the annual consolidated financial statements audited by independent auditors during the period.

According to the above regulations, the maximum limit for endorsement of companies with 100% of the voting shares held by the Company on December 31, 2018 is net value of 3,995,515,000 × 300% = 11,986,545,000; the limit for endorsement of single enterprise is net value of 3,995,515,000×300%=11,986,545,000.

Keysheen (Cayman) Holdings Co., Limited and subsidiaries
Acquisition of individual real estate at prices of at least \$300 million or 20% of the paid-in capital.
2018

TABLE 3

Unit: In Thousands of New Taiwan Dollars/ in dollars of foreign currencies

Acquisition of the company individual real estate	Property name	Date of occurrence (Note 3)	Transaction amount	Payment situation	Counterparty	Nature of Relationship	The counterparty of the transaction is related parties, the previous transfer data				Reference basis for price decision	Achieving purpose and use situation	Other appointments
							Owner	With the issuer relationship	Transferring date	Amount			
Keysheen Vietnam Ltd.	Property, equipment, and plant	January 2016 to December 2018	\$ 624,484 (VND 472,294,800,011 USD 37,970)	\$ 596,733 (VND 451,311,753,219 USD 36,072)	CHIEN HUONG BUILDING AND TRADING ., JSC	None	—	—	—	\$ -	Note 1	Owner occupied	—

Note 1: The price decision is based on the local market price and is negotiated after the bargain.

Note 2: The paid-in capital amount refers to the amount of paid-in capital of the parent company. If the issuer's stock has no denomination or the denomination is not \$10, the transaction amount of 20% of the paid-in capital shall be calculated based on 10% of the equity of the owner of the parent company.

Note 3: The date of occurrence refers to the date of the transaction signing date, payment date, entrusted transaction date, transfer date, board resolution date, or other date on which the transaction object and transaction amount are fully determined.

Keysheen (Cayman) Holdings Co., Limited and subsidiaries
Sales and purchasing goods with related parties of at least \$100 million or 20% of the paid-in capital.
2018

TABLE 4

Unit: In Thousands of New Taiwan Dollars

Sales and purchasing goods company	Counterparty name	Nature of Relationship	The status of transaction				Transaction terms are different from general ones Situations and reason		Note, account receivables (payables)		Note
			Sales and purchasing goods	Amount	Ratio of total sales and purchasing goods	Credit period	Unit price	Credit period	Balance	Ratio of total note, account receivables (payables)	
Keysheen Industry (Shanghai) Co., Ltd.	Courtyard Creations Inc.	Same affiliate	Sales	\$ 4,831,528	99.9%	30% of the advance receipts, the remaining 70% is 30-day term.	According to the company's transfer pricing policy system	—			
Courtyard Creations Inc.	Keysheen Industry (Shanghai) Co., Ltd.	Same affiliate	Purchasing goods	4,834,223	90.1%	30% of the advance receipts, the remaining 70% is 30-day term.	According to the company's transfer pricing policy system	—			
Keysheen Vietnam Ltd.	Creative Courtyards International Ltd.	Same affiliate	Sales	826,230	99.3%	270 days	According to the company's transfer pricing policy system	—			
Creative Courtyards International Ltd.	Keysheen Vietnam Ltd.	Same affiliate	Purchasing goods	826,210	99.3%	270 days	According to the company's transfer pricing policy system	—			
Courtyard Creations Inc.	Keysheen Vietnam Ltd.	Same affiliate	Sales	434,321	50.26%	270 days	According to the company's transfer pricing policy system	—	Account receivables \$ 358,164	17.31%	
Keysheen Vietnam Ltd.	Courtyard Creations Inc.	Same affiliate	Purchasing goods	425,251	49.68%	270 days	According to the company's transfer pricing policy system	—	Other receivables 276,204	100%	
Keysheen Vietnam Ltd.	Courtyard Creations Inc.	Same affiliate	Purchasing goods	425,251	49.68%	270 days	According to the company's transfer pricing policy system	—	Accounts payable 600,248	88.55%	
Keysheen Vietnam Ltd.	Courtyard Creations Inc.	Same affiliate	Purchasing goods	425,251	49.68%	270 days	According to the company's transfer pricing policy system	—	Other payables 35,120	11.6%	
Creative Creations Inc.	Keysheen Vietnam Ltd.	Same affiliate	Sales	136,230	100%	65 days	According to the company's transfer pricing policy system	—	Account receivables 40,237	30%	

Keysheen Vietnam Ltd.	Creative Creations Inc.	Same affiliate	Purchasing goods	108,420	12.67%	65 days	According to the company's transfer pricing policy system	—	Accounts payable 39,711	5.86%	
									Other payables 526	0.17%	

Keysheen (Cayman) Holdings Co., Limited and subsidiaries
Account receivables with related parties of at least \$100 million or 20% of the paid-in capital.
December 31, 2018

TABLE 5

Unit: In Thousands of New Taiwan Dollars

Company name of receivables from related parties	Counterparty name	Nature of Relationship	Account receivables with related parties Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debt
					Amount	Action Taken		
Courtyard Creations Inc.	Keysheen Vietnam Ltd.	Same affiliate	Account receivables	14.05	\$ -	-	\$ -	\$ -
			\$ 358,164	Note 1	-	-	-	-
Sinture Holding Ltd	Keysheen Vietnam Ltd.	Related-party	Other receivables	Note 1	-	-	-	-
			276,204	Note 1	-	-	-	-
Yauchung Investment Corp.	Courtyard Creations Inc.	Same affiliate	Other receivables	Note 1	-	-	-	-
			153,575	Note 1	-	-	-	-
			107,503					

Note 1: This is the nature of the loan, so it is not applicable to calculate the turnover rate. Please refer to TABLE 1

Keysheen (Cayman) Holdings Co., Limited and subsidiaries
Related-party transactions and amount
2018

TABLE 6

Unit: In Thousands of New Taiwan Dollars

Number (Note 1)	Transaction Company	Counterparty	Flow of Transactions (Note 2)	Description of Transactions			
				Financial Statement Account	Amount	Transaction Item	Percentage of Consolidated Net Revenue/Assets (Note 3)
1	Keysheen Industry (Shanghai) Co., Ltd.	Courtyard Creations Inc.	1	Service revenues	\$ 51,653	General terms	0.84%
	"	"	1	Loss on disposal of real estate, plants and equipment	873	General terms	-
	"	"	1	Sales revenue	4,831,528	General terms	78.54%
	"	Creative Creations Inc.	3	Service revenues	2,578	General terms	-
2	Courtyard Creations Inc.	"	3	Other revenues	235	General terms	-
		Keysheen Vietnam Ltd.	3	Account receivables	358,164	General terms	4.58%
		"	3	Other receivables	276,204	Interest rate 2.5%	3.54%
		"	3	Sales revenue	434,321	General terms	7.06%
		Keysheen(Cayman) Holdings Co., Ltd.	2	Interest revenue	815	Interest rate 1.65%	-
		Sinture Holding Ltd.	3	Interest revenue	1,869	Interest rate 2%	-
3	Keysheen Vietnam Ltd.	Creative Courtyards International Ltd.	3	Sales revenue	826,230	General terms	13.43%
		"	3	Advance sales receipts	540,464	General terms	6.9%
		Sinture Holding Ltd.	2	Other payables	153,461	Interest rate 2.5%	1.96%
		"	2	Interest expense	3,021	Interest rate 2.5%	-
4	Sinture Holding Ltd.	Creative Courtyards International Ltd.	1	Interest revenue	540	Interest rate 1.65%	-
5	Creative Creations Inc.	Keysheen Industry (Shanghai) Co., Ltd.	3	Accounts payable	1,051	General terms	-
		"	3	Other payables	1,662	General terms	-
		Keysheen Vietnam Ltd.	3	Sales revenue	136,230	General terms	2.21%
		"	3	Account receivables	40,237	General terms	0.51%
6	Yauchung Investment Corp.	Courtyard Creations Inc.	1	Other receivables	107,503	General terms	1.37%
		Sinture Holding Ltd.	3	Other receivables	76,788	General terms	0.98%

Note 1: The business transactions between the parent company and the subsidiaries will be indicated in the number column, respectively:

- (1) Parent company fills 0.
- (2) The subsidiary is numbered sequentially by the Arabic number 1 according to the company.

Note 2: There are three types of relationships with counterparties. (If the same transaction is between the parent company or each subsidiary, there is no need to disclose repeatedly. Such as: the parent company's transaction to the subsidiary, if the parent company has disclosed, then the subsidiary part does not need to be disclosed repeatedly. For transactions between subsidiaries, if a party has disclosed, another subsidiary does not need to disclose it repeatedly.):

- (1) From parent company to subsidiary
- (2) From subsidiary to parent company
- (3) Subsidiary to subsidiary

Note 3: In the computation of percentage of revenue/assets, if the amount is the ending balance of assets or liabilities, the accounts percentage will be the balance dividing the consolidated assets; if the amount is income or expense, the accounts percentage will be the amount dividing by the consolidated net revenues in the same year.

Note 4: The significant transactions of this form may be determined by the company according to the principle of materiality.

Keysheen (Cayman) Holdings Co., Limited and subsidiaries
Investee information, the location, etc.
FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE 7

Unit: In Thousands of New Taiwan Dollars/ in dollars of foreign currencies

Investor	Investee name	Location	Principal business activities	Original investment amount		Shareholding at the end of the period			Investee Profit or loss for the period (Note 1)	Recognized investment gain or loss for the period	Note
				Ending of this term	End of last year	Share	Ratio	The carrying amounts			
Keysheen (Cayman) Holdings, Co., Ltd.	Yauchung Investment Corp.	Samoa	Investment	\$ 1,537,749	\$ 1,537,749	37,000,000	100	\$ 3,663,190	\$ 154,339 (RMB 33,973,619)	\$ 133,614 (RMB 29,411,553)	Notes 2, 3
	Sinture Holding Ltd.	Samoa	Investment	614,300 (USD 20,000,000)	614,300 (USD 20,000,000)	20,000,000	100	187,291	(165,390) (USD (5,451,830))	(165,390) (USD (5,451,830))	
Yauchung Investment Corp.	Keysheen Industry (Shanghai) Co., Ltd.	Shanghai, China	Production of various types of outdoor steel furniture	1,720,040 (USD 56,000,000)	1,720,040 (USD 56,000,000)	-	100	3,047,781	195,318 (RMB 42,994,080)	195,318 (RMB 42,994,080)	Note 5
	Shanghai Keysheen Leisure Products Co., Ltd.	Shanghai, China	The production of various types of outdoor steel furniture and health & leisure equipment.	- (USD -)	377,795 (USD 12,300,000)	-	100	-	6,556 (RMB 1,443,172)	6,556 (RMB 1,443,172)	
	Creative Creations Inc.	Shanghai, China	Sales of various types of outdoor furniture	15,358 (USD 500,000)	- -	-	100	32,484	18,674 (RMB 4,110,608)	18,674 (RMB 4,110,608)	
Keysheen Industry (Shanghai) Co., Ltd.	Courtyard Creations International Limited	Hong Kong	Investment	30,715 (USD 1,000,000)	30,715 (USD 1,000,000)	1,000,000	100	517,751	(66,881) (USD (2,230,270))	(66,881) (USD (2,230,270))	
Courtyard Creations International Limited	Courtyard Creations Inc.	Mauritius	Sales of various types of outdoor furniture	30,715 (USD 1,000,000)	30,715 (USD 1,000,000)	1,000,000	100	517,721	(66,837) (USD (2,228,790))	(66,837) (USD (2,228,790))	
Sinture Holding Ltd.	Keysheen Vietnam Ltd.	Vietnam	The production of metal and artificial plastic rattan tables and chairs and equipment.	614,300 (USD 20,000,000)	614,300 (USD 20,000,000)	-	100	286,173	(100,795) (VND (77,269,080,824))	(100,795) (VND (77,269,080,824))	
	Creative Courtyards International Limited	Samoa	Sales of various types of outdoor furniture	3,072 (USD 100,000)	3,072 (USD 100,000)	100,000	100	(29,705)	(23,968) (USD (790,070))	(23,912) (USD (788,234))	Note 3

Note 1: The mentioned investment companies' 2018 annual investment profits and losses are recognized as investment profits and losses in the annual consolidated financial statements audited by the independent auditors during the period.

Note 2: Keysheen (Cayman) Holdings Co., Ltd. invested in Yauchung Investment Corp., which was acquired by way of stock exchange.

Note 3: the difference in the profit or loss for the period and recognized investment gain or loss for the investee includes the unrealized gross profit of the side stream of 20,669,000.

Note 4: Creative Creations Inc. was registered and established in April 2018.

Note 5: Shanghai Keysheen Leisure Products Co., Ltd. has completed the liquidation procedure in October 2018.

Keysheen (Cayman) Holdings Co., Limited and subsidiaries
Information Related to Investments in Mainland China
FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE 8

Unit: In Thousands of New Taiwan Dollars/ in dollars of foreign currencies

1. Investee in China, principal business activities, Total Amount of Paid-in Capital, Method of Investment, Investment Flows, Percentage of Ownership, Equity in the Earnings(Losses), Carrying Value, and Accumulated Inward Remittance of Earnings:

Investee in China	Principal business activities	Paid-in capital	Method of investment	Beginning of Accumulated Outflow of Investment from Taiwan	Investment Flows		Ending of Accumulated Outflow of Investment from Taiwan	Investee profit or loss for the period	Percentage of Ownership	Equity in the Earnings (Losses)	Carrying amount of the investment at the end of the period	Accumulated Inward Remittance of Earnings	Note
					Outward remittance of funds	Inward Remittance of Earnings							
Keysheen Industry (Shanghai) Co., Ltd.	Production of various types of outdoor steel furniture	\$ 1,720,040 (USD 56,000,000)	Yauchung Corp. reinvested in the Mainland through the third region	\$ -	\$ -	\$ -	\$ -	\$ 195,318	100%	\$ 195,318 (Note 1)	\$ 3,047,781	\$ -	
Shanghai Keysheen Leisure Products Co., Ltd.	The production of various types of outdoor steel furniture and health & leisure equipment.	377,795 (USD 12,300,000)	"	-	-	-	-	6,556	100%	6,556 (Note 1)	-	-	Note 2
Creative Creations Inc.	Sales of various types of outdoor furniture	15,358 (USD 500,000)	"	-	-	-	-	18,674	100%	18,674	32,484	-	

Note 1: The investment profits and losses are recognized as investment profits and losses in the annual consolidated financial statements audited by independent auditors during the period.

Note 2: Shanghai Keysheen Leisure Products Co., Ltd. has completed the liquidation procedure in October 2018.

2. Limit on Investment in Mainland

Accumulated Outflow of Investment from Taiwan end of period	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment by Investment Commission, MOEA
Accumulated Investment in Mainland China		
\$	\$	\$

3. Any of the significant transactions with investee companies in the Mainland Area, either directly or indirectly through a third area, and their prices, payment terms, unrealized gains or losses, and other matters: none.
4. Any of endorsement/guarantee or collateral provided with investee companies in the Mainland Area, either directly or indirectly through a third area: none.
5. Any of financing of funds provided with investee companies in the Mainland Area, either directly or indirectly through a third area: none.
6. Other transactions that have a material effect on the profit or loss for the period: none.

V. Only the parent company's financial statement for the most recent fiscal year, certified by a CPA: Not applicable.

VI. The company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: N/A.

Seven. Review and analysis of the company's financial position and financial performance, and listing of risks

I. Financial position

Comparative analysis of financial status

In Thousands of New Taiwan Dollars

item \ fiscal year	2017	2018	difference	
			Amount	%
current assets	5,028,345	5,652,065	623,720	12.40
investments accounted for using the equity method	-	-	-	-
Property, plant and equipment	1,798,232	1,833,550	35,318	1.96
Intangible Assets	25,363	21,588	(3,775)	(14.88)
Other assets	334,595	320,001	(14,594)	(4.36)
total assets	7,186,535	7,827,204	640,669	8.91
current liabilities	2,741,083	3,375,744	634,661	23.15
Non-current liabilities	310,093	455,945	145,852	47.03
total liabilities	3,051,176	3,831,689	780,513	25.58
Equity attributable to owners of the parent	4,135,359	3,995,515	(139,844)	(3.38)
Source of capital	1,042,610	1,042,610	-	-
Capital surplus	2,113,900	2,113,900	-	-
Retained earnings	958,270	871,462	(86,808)	(9.06)
Other equity	20,579	(32,457)	(53,036)	(257.72)
Non-controlling interests	-	-	-	-
Total Equity	4,135,359	3,995,515	(139,844)	(3.38)
<p>Comparing the most recent 2 fiscal years' accounting items, if there is a 20 percent and more variation amount over 10 million, detailed analysis of the causes for such changes are as follows:</p> <p>(1) Current liabilities increase: mainly due to the increase in short-term borrowings during the period.</p>				

- (2) Non-current liabilities increase: mainly due to the increase in long-term borrowings during the period.
- (3) Total liabilities increase: mainly due to the increase in long-term/ short-term borrowings during the period.
- (4) Other equity decrease: mainly due to the exchange rate changes caused by the difference in the conversion of the report.

II. Financial performance

(I) Business results comparison analysis table

In Thousands of New Taiwan Dollars

item \ fiscal year	2017	2018	Amount increase(decrease)	difference(%)
net operating income	4,867,900	6,152,017	1,284,117	26.38
Operating costs	3,728,890	4,902,489	1,173,599	31.47
Gross profit	1,139,010	1,249,528	110,518	9.70
Operating expenses	1,011,221	1,114,829	103,608	10.25
Net operating profit	127,789	134,699	6,910	5.41
Non-operating income and expenditure	30,668	(60,806)	(91,474)	(298.27)
Profit before tax	158,457	73,893	(84,564)	(53.37)
tax expense	113,399	124,210	10,811	9.53
Total comprehensive income for the year	45,058	(50,317)	(95,375)	(211.67)

Note 1: Comparing the most recent 2 fiscal years' accounting items, if there is a 20 percent and more variation amount over 10 million, detailed analysis of the causes for such changes are as follows:

- (1) Operating income increase: mainly due to the increase in orders and rattan products in the new quarter compared with the previous year.
- (2) Operating costs increase: mainly due to the increase in revenue and the increase in the cost of raw materials in the current period.
- (3) Non-operating income and expenditure decrease: due to the increase in exchange losses arising from the forward contracts RMB against USD in 2018 and increase in interest expenses.
- (4) Income before income tax decrease: Mainly due to the increase in exchange losses and the increase in interest expenses arising from the forward foreign exchange transactions.
- (5) Net profit (loss) decrease: Mainly due to the decrease of income before income tax.

Note 2: Reasons for changes in the company's main business activities, if the operating policies, market conditions, economic environment, or other internal and external factors have occurred or are expected to undergo major changes, the facts and impacts of changes and the company's future financial business may affect the impact and response plan: N/A.

Note 3: The main factors affecting the number of sales in the coming year and its basis and the company's expected sales volume continue to grow or decline: N/A.

(II) Operating gross profit change analysis

	Before and after number changed	Reason for difference			
		Price difference	Cost difference	Sales mix difference	Quantity difference
Gross profit	110,518	534,247	600,918	51,328	125,861

Description	<p>(1) Favorable price difference: The main reason is that the average selling price of the whole year is higher, so there is a favorable difference in the selling price.</p> <p>(2) Unfavorable cost and price differences: Mainly due to the high price of raw materials in the current year, there is an unfavorable difference in cost and price.</p> <p>(3) Favorable sales mix difference: Mainly due to the increase in overall sales volume in the current period compared to the previous period, there was a favorable difference in sales mix.</p> <p>(4) Favorable quantity difference: Mainly due to the increase in orders from Vietnam factory in the current period, the Shanghai factory is stable in shipment, which in turn makes a favorable difference in sales.</p>
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III. Cash flows

Liquidity analysis for the last two years:

1. Analysis of changes in cash flows:

In Thousands of New Taiwan Dollars

Item \ fiscal year	2017	2018	Increase/ decrease	
			Amount	%
cash inflow (outflow) from operating activities	(266,230)	(335,906)	(69,676)	26.17%
cash inflow (outflow) from investing activities	(470,557)	(219,243)	251,314	(53.41%)
cash inflow (outflow) from financing activities	979,751	786,322	(193,429)	(19.74%)
Major issue of changes in cash flows for 2018:				
(1)Cash outflow from operating activities increase: Mainly due to the increase in accounts receivable.				
(2)Cash outflow from investing activities decrease: Mainly due to the decrease in the amount of purchase of factory and equipment during the period.				

2. Improvement plan for insufficient liquidity: there is no such situation.

3. Cash flow analysis for the coming year:

In Thousands of New Taiwan Dollars

Opening cash balance (1)	net cash flows from operating activities throughout the year (2)	net cash flows from investing activities throughout the year (3)	Net cash flows from financing activities throughout the year (4)	Cash surplus	cash shortfalls	
				Insufficient amount (1)+(2)+(3)+(4)	Investment plan	Financial plan
1,565,555	(479,644)	(42,340)	480,147	1,523,718	Not applicable	Not applicable
Remedial measures and liquidity analysis for expected cash shortfalls: There are no shortages.						

IV. Financial operations of any major capital expenditures during the most recent fiscal year

The Company has purchased property, plants and equipment in the amount of NTD214.982 million in 2018, mainly due to the renewal of the original production equipment and the infrastructure needed of the Vietnamese subsidiary. The source of funds is self-owned funds and bank loans. According to the profit situation of the company, there is no significant impact on the company's finance.

V. The re-investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year.

1. The company's re-investment policy:

The Company's investment policy is based on investing related industry investment targets, which are implemented by the relevant executive department complied with the internal control system "investment cycle" and "the procedures for acquisition or disposal assets." The above measures or procedures have approved by the board of directors or shareholders meeting.

2. For the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability:

In 2018, the company's re-investment companies, except Courtyard Creations Inc. and Creative Courtyards International Limited, were operating at the beginning of the business, and Keysheen Vietnam Ltd. was in the development stage of the new plant, and the other subsidiaries were all in profit situation.

Courtyard Creations Inc. suffered a small loss due to the increase in the exchange loss of forward foreign exchange transactions due to the volatility of the RMB against the USD in 2018. The finance department will collect information in exchange rate changes to immediately collect and judge the trend of exchange rate to reduce the impact of exchange rate fluctuations.

Creative Courtyards International Limited was established in March 2016 and its main business is the sale of all types of outdoor furniture products. Due to the small scale of business this year and the business is in the expansion stage, it is a small loss. In the future the company will focus on the operation of the rattan outdoor furniture market and actively expand the market for high unit price and customized products.

Keysheen Vietnam Ltd. was established in January 2016 and its main business is production and sale of metal and artificial plastic rattan tables, chairs, and equipment. This year, due to the fact that it is in the development stage of the new plant and has not yet reached the economies of scale, it is in a

loss situation. After the company's constructions have been completed and the production capacity has been built in 2018, the loss situation should be improved.

3. The investment plans for the coming year:

Keysheen Vietnam Ltd. is the key investment project of the company, and the infrastructure construction has been completed in 2018. The process will be continuously optimized and the technical skills will be upgraded to improve production capacity and production efficiency.

VI. Analyze and assess of risk list

(I) Risk management organization structure

Based on the characteristics of the Company's operations, the main operating entities are divided into two major businesses: manufacturing (including R&D) and sales (including marketing). The parent company is the manager and supervisor of the company's overall operations.

The company's overall risk management policy includes the above two major business entities and the main goal is to prevent risk. Any possible risks, such as: company risk management, research and development publication, customer order target, production delivery, raw material supply, etc., are managed with delegation by the company and each business entity.

Risk management organization structure of the Company:

entity	Main authority
Board of directors	1.The company's highest management decision-making unit; develop corporate risk management culture and policies. 2.Monitor the effectiveness of the company's significant risk policies and management.
General manager and senior management (including the top executive of each institution)	1.Implement the risk management policy of the board of directors resolution. 2.Master of the company's operational risk warnings (including internal and external factors), promptly respond to countermeasures, and ensure the effective implementation of risk management.
The company and its subsidiaries	1.Management of daily risk management activities. 2.Implement of Company risk management activity

(II) The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

1. The effect upon the company's profits (losses):

Item	2018 (thousands of NTD)
Net interest income and expenditure	(22,292)
Net gain or loss on foreign currency exchange	(66,471)
Net interest income and expenditure as a percentage of net revenue	(0.36%)
Net interest income and expenditure as a percentage of income before income tax	(30.17%)
Net gain or loss on foreign currency exchange as a percentage of net revenue	(1.08%)
Net gain or loss on foreign currency exchange as a percentage of income before income tax	(89.96%)

- (1) Interest rate change: The ratio of net interest income and expenditure to the Company's revenue and pre-tax net profit was (0.36%) and (30.17%), respectively in 2018. The net interest income and expenditure accounted for a higher proportion of net profit before tax, mainly due to the funding required for the expansion of the Vietnamese factory. Besides gradually reducing bank borrowings, the company will pay close attention to market changes and adopt relevant hedging instruments in a timely manner to avoid the risk of rising interest rates.
- (2) Exchange rate fluctuation: Since the Company's sales are mainly in US dollars, the purchase and operating expenses are in Renminbi, so the fluctuation of USD against RMB exchange rate will have a relative impact on the company's revenue and profit. In 2018, the ratio of net profit and loss to the Company's revenue and pre-tax net profit was (1.08%) and (89.96%) respectively. The net profit and loss of the exchange accounted for a higher ratio of net profit before tax. However, the forward foreign exchange transactions of the Company are held for the purpose of hedging exchange rate risk of foreign currency assets and liabilities. Exchange gains and losses occurred due to exchange rate changes in 2018. The finance department will collect information in exchange rate changes to immediately collect and judge the trend of exchange rate to reduce the impact of exchange rate fluctuations.
- (3) The inflation: The Company's main production bases are located in China (Shanghai) and Vietnam. The cost of each may be affected by the changes in GDP in China and Vietnam in recent years, and the risks involved should be adjusted.

2. The response measures to be taken in the future

- (1) Response measures for interest rate changes: Due to the influence of the sales model, the main cash inflows are in US dollars, and the main operating expenses are in RMB as the settlement currency. As mentioned in the risk analysis above, the risk of changes in interest rates has little impact on the Company's operations. However, the Company will continue to monitor the trend of financial interest rates and properly manage the impact of changes in interest rates of deposits and borrowings.
- (2) Response measures for exchange rate fluctuation:
 - ① When the company's sales department quotes the order, the impact of exchange rate changes on the selling price of the product will be considered, and measures the range of exchange rate fluctuations to adjust the selling price to ensure the company's operating profit.
 - ② In addition to immediate adjustment of the foreign currency assets and liabilities, the financial department of the Company will increase the natural hedging effect of the exchange rate and pay close attention to changes in the international financial market and future exchange rate trends, and maintains close ties with many large banks in China and Taiwan, and provides the company's professional financial market information at any time to instantly and effectively grasp the exchange rate trend. The forward foreign exchange would applied as needed for hedging operations. The Company has strict forward foreign exchange operating management methods, which can effectively reduce the Company's operational risks arising from exchange rate fluctuations.
- (3) Response measures for inflation:

The company has been operating in China for more than 20 years and has accumulated certain degrees of sensitivity to the inflation risks that may arise from political and economic changes in China. In addition, continuing improvement of equipment capacity and production line automation in terms of labor costs, the company has been continually trying to design more energy-efficient and economical designs in various processes and raw

materials. Cost saving generates greater benefits to reduce the impact of China's inflation risks.

Due to the fact that the Vietnamese subsidiary is in the expansion stage, the process has not yet been completed, and its business activities have little impact on the company's consolidated revenue and profit. Therefore, the inflation risk in Vietnam to the overall profitability of the company in the near future will be of no significant risks. However, the company has a number of cost monitoring and procurement resource planning for raw materials procurement, and labor costs, with a view to reducing the risk of future inflation.

- (III) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

The company's business strategy has based on the principle of stable and conservative, and has not engaged in high-risk, high-leverage investment transactions in recent years. The transactions in derivative financial products are mainly for hedging purpose. With regard to loan lending, endorsement guarantees, and derivative commodity transactions, the Company has established operating methods and implemented according to relevant requirements. Moreover, the Group has not been lending funds to other parties other than subsidiaries.

- (IV) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

In order to improve the competitiveness of products in the market, the company has continuously increased investment in research & development and continuously strengthened the development team. Add various types of R&D equipment and recruit development professionals. Strengthen the development of software and hardware facilities and capabilities to improve the company's product development capabilities and improve product quality to ensure that the company's product development in the outdoor furniture industry maintaining the market front, and in line with market demand.

1. The future development plans of the company are as follows:

- ① The development of new desktops: According to the characteristics, styles, structures, materials, and colors of the mainstream desktops on the market, we will develop new desktops and meet the ever-changing market demand from the environmental performance and durability of materials.
- ② High-end product development: fully utilize the company's research and development potential. R & D personnel go out to study, master the high-end market frontier dynamics and fashion trends, constantly innovate product structure, continuously optimize product color matching, and introduce modern technology elements to develop market competitiveness, with the company's high-end products.
- ③ Development and application of new materials: In response to the needs of market customers and the protection of the environment, the company will continue to invest funds to develop environmentally friendly materials for outdoor furniture. Make a comprehensive file establishment of the materials, raw materials, and production areas of the materials, fully consider the recyclability of resources, so that the materials can be fully recycled. On the other hand, in response to the changing needs of fashion trends, materials and decorations with modern elements are developed to meet the market needs.
- ④ Development of new processes: With the increase of labor costs year by

year, the company has made long-term efforts in mechanization and automated production and achieved remarkable results. In the future, new equipment will continue to be developed, and machines will replace manpower to reduce the production cost of the company's products.

- ⑤ Development of rattan products: The Vietnam factory is quite in scale and has been recognized by customers and the market. The R&D unit will continue to research and develop on rattan products, and continue to introduce new styles of rattan, new styles of products, and new editing process to enrich product categories. In addition to the continuous introduction of new products in the rattan color and style, the company has invested in the use of new materials in order to develop more environmentally friendly and cost-effective rattan.

2. The R&D plan and production schedule of 2019 are as follows:

Recent annual research and development plan name	current status	R&D expenses to be invested (thousands of NTD)	Complete production time	The main influencing factors for future R&D success
Develop more than 400 new products for all types of customers	Providing samples to customers	31,500	July 2019	1. Collection of new design elements
				2. Market price positioning of products
				3. Sample proofing progress
				4. Sample improvement
Development of new pipe profiles	Mid-term sample development	7,500	August 2019	1. Design progress of new pipe
				2. Manufacturer's mold progress
				3. New pipe application product development
The development of new desktops	Modeling and functional design in progress	8,500	June 2019	1. Flower/color design and material orientation
				2. Sample development and production progress
				3. Product quality inspection standard formulation
Textile product development	Mid-term sample development	14,000	August 2019	1. Manufacturer development sampling progress
				2. Optimization analysis of actual production operations
				3. Application and development progress of the product
				4. Material testing standard setting
Development and promotion of new component package packaging	Part identification confirmation is in progress	12,500	October 2019	1. Manufacturer equipment improvement progress
				2. Part identification method confirmation progress
				3. Test standard establishment
				4. Shipment product production progress tracking
New craft fabric development	Mid-term sample development	6,000	July 2019	1. Supply vendor development progress
				2. Sample development progress
				3. Sample testing

				4. Applications of product
Development of tent products	Mid-term sample development	14,000	September 2019	1. Product design progress
				2. Sample development proofing and confirmation progress
				3. Provide samples to customers
Development of new specifications rattan	Mid-term sample development	15,000	September 2019	1. Specification pattern design progress
				2. Manufacturer's mold progress
				3. Product improvement
gas appliances table development in different markets	Mid-term sample development	2,000	September 2019	1. Manufacturer's mold progress
				2. Official certification progress
				3. Test standard setting

3. Estimated investment in research and development costs: 2019 to invest about NTD111 mikllion.

(V) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The company is registered in the Cayman Islands and the main operating countries are in China and Vietnam (but still in China). The implementation of each of the Group's businesses is handled in accordance with the important policies and laws of China and Vietnam, and is always aware of important policy development trends and compliance changes in China and Vietnam, as well as adapting to changes in the market environment and taking appropriate countermeasures. Up to now, the Group has not had any significant impact on the company's financial business due to changes in important policies and laws in the China and Vietnam.

(VI) Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

The Group pays attention to the technological changes and technological developments of its industries, and continuously improves product quality and process, and quickly catches the industry dynamics and market information, adopting a sound financial management strategy to maintain market competitiveness. Recently, in addition to the development of appearance and function in the past, outdoor leisure furniture products have gradually become more environmentally friendly and more energy-efficient process development and design. The Company will continue to pay attention to the relevant technological changes in the industry and assess its impact on the company's operations and make corresponding adjustments to strengthen the Group's business development and financial position. Therefore, technological changes and industrial changes have no significant adverse impact on the company.

(VII) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:

The Group has always adhered to the principles of integrity and professional management, actively strengthened internal management, improved management quality and efficiency, focus in importance of corporate image and risk control, and complied with relevant laws and regulations. At present, there is no issue affecting the corporate image. In the future, the

company will pursue the social responsibility of the company while maximizing of shareholders' equity.

(VIII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: N/A.

(IX) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:

The company invested in 2016 to establish Keysheen Vietnam Ltd. As a result of the nature of the investment in the land, the expected benefits of the expansion of the factory may be attributable to the risk of delays in the expansion of the factory due to the delay in capacity expansion or overcapacity after the expansion of the factory.

The company's response is:

(1) In terms of plant expansion, the company has dedicated dedicated staff responsible for the progress and quality control of the plant expansion, and is ready to communicate with the construction unit to adjust the progress of any plant expansion. There is no delay in the project since it started in December 2018.

(2) In terms of the risk of overcapacity after the expansion of the factory: as mentioned above Keysheen Vietnam Ltd. is a company established by the company for new investment in expanding the product range. In the past, the company has lacked the production capacity of rattan outdoor leisure furniture products, and rattan outdoor leisure furniture has become the mainstream product of outdoor leisure furniture in recent years. With the increasing demand for products, the company is a new factory in rattan outdoor leisure furniture products. However it has been recognized by many major customers and ordered to reserve capacity. Therefore, the Company believes that for the continuous growth of market demand, there should be no risk of overcapacity after the expansion of the factory.

(X) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

The company's customers are slightly concentrated. In 2018, the top ten sales customers accounted for more than 70% of the company's revenue. The largest customer accounts for about 30% of revenue. With expansion of new markets, as the consumer community becomes younger, internet sales have become a new consumption model, and the customer base has gradually diversified. In 2018, the top ten purchase suppliers accounted for more than 30% of the total purchases, of which the largest manufacturers accounted for less than 10% of the total purchases, and there was no significant concentration of purchase sources. In addition, most of the other raw material suppliers of the company have stable cooperative relationship with companies that have good quality reputation in the industry and have been with the company for many years. Therefore, there should be no risk of concentration of purchases.

(XI) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:

There is no event of a major quantity of shares in the company been transferred or changed hands in 2018 or during the current fiscal year up to the date of publication of the annual report.

(XII) Effect upon and risk to company associated with any change in governance

personnel or top management, and mitigation measures being or to be taken: There is no event of change in governance personnel or top management in 2018 or during the current fiscal year up to the date of publication of the annual report.

(XIII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: N/A.

(XIV) Other important risks, and mitigation measures being or to be taken:

Information security risk assessment:

In order to ensure that the company's information security risks are controlled, the company has established "computer hardware and software and information security management practices" to follow.

The Company assesses the actual occurrence possibilities and implements control measures based on major threats, weaknesses and shocks related to information security:

1. Network security: external network and intranet monitoring, production line and internal network to meet security separation and continuous monitoring.
2. IT infrastructure protection: computer hardware, software system regularly updated and installed patches, system assess control.
3. Employee security awareness education and training: Regularly train employees to do security education and mail security protection courses and change passwords regularly.
4. Disaster recovery: The system backs up regularly and performs a restore drill.

There is no event of material information security issue in 2018 or during the current fiscal year up to the date of publication of the annual report, which had material adverse effect on the business and operations of the Company and has not been involved in any legal cases or regulatory investigations related to this.

VII. Other important matters: N/A.

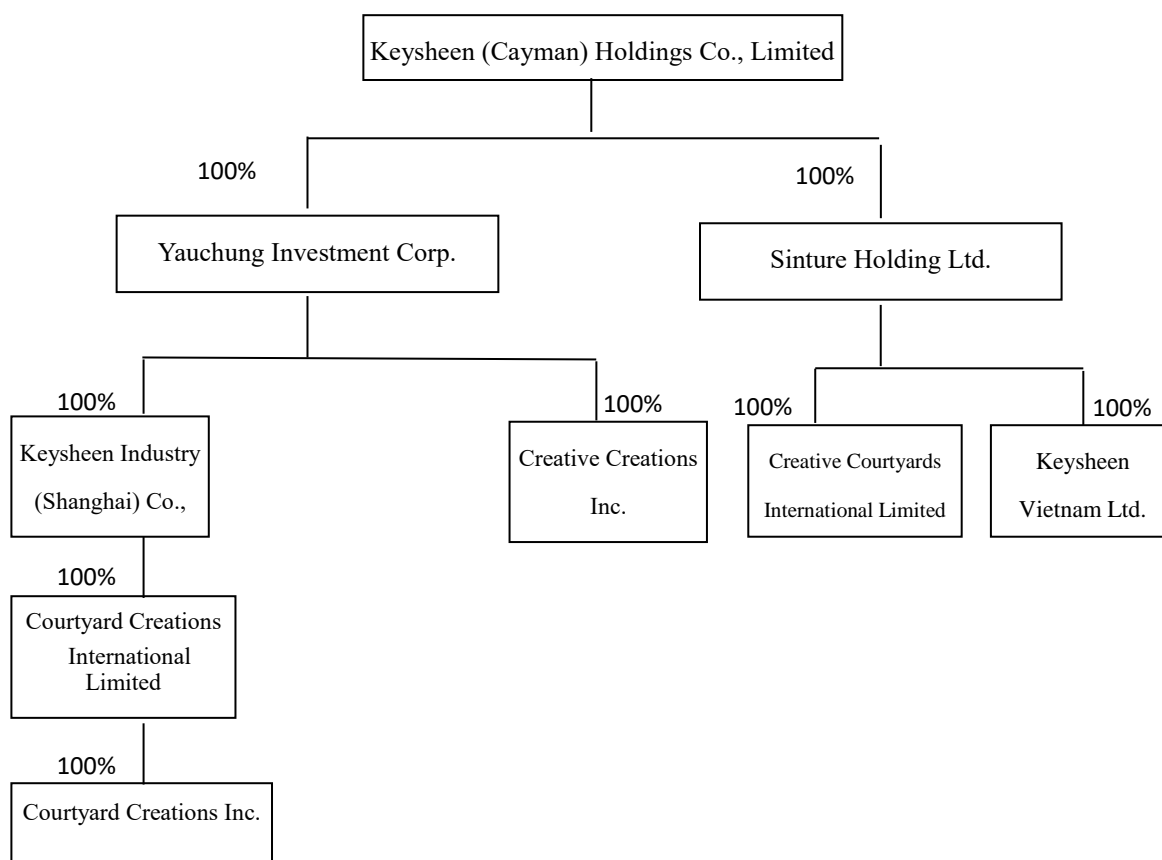
Eight. Other important matters

I. Information related to the company's affiliates

(I) Consolidated business report of subsidiaries

1. Group Information

(1) The Company and Affiliates



2. Basic information of related companies and industries covered by the business:

December 31, 2018 Unit: thousand NTD; FXD

Corporate name	Location	Principal business activities	Original investment amount
Yauchung Investment Corp. (Note 1)	Samoa	Investment	1,537,749
Sinture Holding Ltd.	Samoa	Investment	614,300 (USD20,000,000)
Keysheen Industry (Shanghai) Co., Ltd.	Shanghai, China	production of various types of outdoor steel furniture	1,720,040 (USD56,000,000)
Creative Creations Inc.	Shanghai, China	sales of various types of outdoor furniture product etc.	15,358 (USD500,000)
Courtyard Creations International Limited	Hong Kong	Investment	30,715 (USD1,000,000)
Courtyard Creations Inc.	Mauritius	Sales of various types of outdoor furniture	30,715 (USD1,000,000)
Keysheen Vietnam Ltd.	Vietnam	The production of metal and artificial plastic rattan tables and chairs and equipment.	614,300 (USD20,000,000)
Creative Courtyards International Limited	Samoa	Sales of various types of outdoor furniture	3,072 (USD100,000)

Note 1: The company invested in Yauchung Investment Corp., which was acquired by way of stock exchange.

3. According to Article 369-3 of the Company Act, it shall be concluded as the existence of the controlling and subordinate relation: N/A.

4. Operation brief of related companies

December 31, 2018 unit: thousand NTD

Corporate name	capital	total assets	total liabilities	Book value	Operating income	operating profit	Profit or loss for the period (after tax)	Earnings Per Share (\$) (after tax)
Yauchung Investment Corp.	1,537,749	3,708,008	21,228	3,686,780	0	(17,897)	154,339	4.17
Sinture Holding Ltd.	614,300	419,543	232,252	187,291	0	(36,549)	(165,390)	(8.27)
Keysheen Industry (Shanghai) Co., Ltd	1,720,040	4,081,147	1,033,366	3,047,781	4,834,745	268,494	195,318	(Note)
Creative Creations Inc.	15,358	105,126	72,642	32,484	136,230	23,110	18,674	(Note)
Courtyard Creations International Limited	30,715	517,751	0	517,751	0	(44)	(66,881)	(66.88)
Courtyard Creations Inc.	30,715	2,660,603	2,142,882	517,721	5,704,402	27,005	(66,837)	(66.84)
Keysheen Vietnam Ltd.	614,300	1,808,233	1,522,059	286,174	831,942	(78,032)	(100,795)	(Note)
Creative Courtyards International Limited	3,072	1,034,317	1,063,938	(29,621)	873,008	(11,171)	(23,968)	(239.68)

Note: There is no share in the type of China and Vietnam limited company. Earnings per share may not be calculated.

5. The overall businesses covered by related companies:

- ① Yauchung Investment Corp. established in May 2003, is an investment company currently.
- ② Sinture Holding Ltd. established in November 2015, is an investment company currently.
- ③ Keysheen Industry (Shanghai) Co., Ltd established in September 1997, and the main business is production and manufacture of various types of outdoor steel furniture and other products.
- ④ Creative Creations Inc. established in April 2018, and the main business is the sales of outdoor furniture and other products.
- ⑤ Courtyard Creations International Limited established in July 2008, is an investment company currently.
- ⑥ Courtyard Creations Inc. established in January 2003, and the main business is sales of outdoor furniture and other products. In March 2009, it became a subsidiary of the company's subsidiary.
- ⑦ Keysheen Vietnam Ltd. established in January 2016, and the main business is production of metal and artificial plastic rattan tables and chairs and equipment.
- ⑧ Creative Courtyards International Limited established in March 2016, and the main business is sales of outdoor furniture.

6. The names of directors, supervisors, and general managers of each related companies and their shareholdings or capital contributions to the company: N/A.

(II) The consolidated financial statements of related companies: please refer to P113~ P192

(III) Reports on affiliations: Not applicable.

II. Where the company has carried out a private placement of securities during the most

recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

III. Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

IV. Other matters that require additional description: None.

V. The explanation of any material differences from the rules of the ROC in relation to the protection of shareholder equity.

The important matters in connection with protection of shareholder equity	The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》	The Company's Articles of Incorporation provided rules and any departure of such implementation
One. The raising and change of company capital		
If shares are distributed in connection with a capital increase out of cash, earnings, or capital reserve, issues new shares in connection with a cash capital increase	1. Articles 156,266 & 278 of the Company Act 2. Article 168 of the Company Act	1. According to Article 13 of the Cayman Islands Companies Law, the increase in the authorized capital of the company shall be approved by the shareholders' meeting by ordinary resolution. In terms of capital reduction, according to Cayman Islands Companies Law, it must be approved by the court, except that it must be passed by a special resolution by the shareholders' meeting. 2. The Company has listed the relevant provisions in Articles 11, 12, 13, 14, 16, 31, and 134(A) of the Articles of Association.
1. The company transfers re-purchased shares to the employees at an average price lower than the actual price, the resolution required for the transfer may be adopted by two-thirds (2/3) of the total votes of the shareholders present at the shareholders' meeting attended by the shareholders representing a majority of the total number of outstanding shares issued by the company and the essential contents shall be explained in the notice to convene a meeting of shareholders, and shall not be brought up as extemporary motions: (1) The assigned transfer price, discount rate, calculation basis and rationality. (2) Transfer of shares, purpose, and rationality (3) The qualifications of the employees who subscribed for the shares and the shares to be subscribed for. (4) The effect on shareholders' equity: The amount that may be	Article 10-1 of Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies	1. According to Article 37(A) of the Cayman Islands Companies Law amended on April 2011, except as otherwise provided in the company's articles of association, the company may hold its own shares. 2. The Company has listed the relevant provisions in Articles 33 and 34 of the Articles of Association. However, the matters may not be proposed by any extemporary motion and accumulated shares transferred to the employees have not been provided in this charter.

<p>The important matters in connection with protection of shareholder equity</p>	<p>The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》</p>	<p>The Company's Articles of Incorporation provided rules and any departure of such implementation</p>
<p>expensed and the dilution of the company's earnings per share. Explain financial burden on the company for transferring re-purchased shares to the employees at an average price lower than the actual price. 2. The accumulated total transferring repurchase shares to the employees approved by the shareholders meeting shall not exceed 5% of the total issued shares of the company. And the total number of shares subscribed by a single employee shall not exceed 0.5% of the total issued shares of the company.</p>		
<p>Two. The procedures and resolutions of the shareholders' meeting</p>		
<p>1. General Shareholders' Meeting should be held at least once every year and shall be convened within six months after close of each fiscal year. A shareholders' meeting shall be convened by the Board of Directors. 2. The Meeting shall be held within the territory of the Republic of China. If the Directors resolve to hold a general meeting outside Taiwan, the Company shall apply for the approval of the TSE thereof within two days after the board of Directors adopts such resolution. 3. Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion in writing or by way of electronic transmission at a General Shareholders' Meeting. The board of directors shall be listed as a motion, except for the resolutions of the non-shareholders' meeting, the proposal holders' shareholdings of less than 1%, the proposal</p>	<p>1. Article 170 of the Company Act 2. Article 172-1 of the Company Act 3. Item 1 & 2 of Articles 173 and 173-1 of the Company Act 4. Article 172 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act 5. Article 6 of Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies</p>	<p>1. According to Article 58 of Cayman Islands Companies Law, in addition to exempting companies, shareholders' meetings should be held at least once a year. 2. There is no related law in the Cayman Islands Companies Law for the location where the company holds the shareholders' meeting. 3. There is no related law in the Cayman Islands Companies Law for the right of proposals submitted by shareholders. 4. According to Article 61 of Cayman Islands Companies Law, when there is no provision, the three shareholders have the right to convene a shareholders meeting. 5. There is no related law in the Cayman Islands Companies Law for items 5 and 6 in the left are for the purpose of the extemporary motion of shareholders' meeting and the general shareholders' meeting handbook item. 6. The Company has listed the relevant provisions in Articles</p>

<p>The important matters in connection with protection of shareholder equity</p>	<p>The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》</p>	<p>The Company's Articles of Incorporation provided rules and any departure of such implementation</p>
<p>being submitted outside the period of the announcement, and the proposal exceeding 300 words or more than one proposal. The shareholder proposal is a proposal to urge the company to promote the public interest or to fulfill its social responsibilities. The board of directors still has to include the proposal.</p> <p>4. The general shareholders' meetings shall also be convened on the requisition in writing of any Shareholder or Shareholders entitled to attend and vote at general meetings of the Company holding at least three percent (3%) of the paid up voting share capital of the Company for a period of one year or a longer time deposited to the Board specifying the subjects for discussion and the reasons. If the Board fails to give a notice for convening such meeting within 15 days after the date of such deposit, subject to the approval of the Taiwan competent authority, the requisitioners themselves may convene the general meeting in the same manner.</p> <p>5. Extraordinary general meetings shall also be convened on the requisition of any Shareholder or Shareholders entitled to attend and vote at general meetings of the Company holding at least half (50%) of the paid up voting share capital of the Company for a period of three months. The calculation of the shareholders' shareholding period and the number of shares held shall be based on the date on which share transfer registration is suspended.</p> <p>6. The following matters and details shall be specified in the notice of a general meeting, and shall not be proposed as ad hoc motions. The main content</p>		<p>43,44,45,47,48, and 50 of the Articles of Association.</p>

The important matters in connection with protection of shareholder equity	The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》	The Company's Articles of Incorporation provided rules and any departure of such implementation
<p>of the website must be placed on the website designated by the Taiwan Securities Competent Authority, and its website should be stated in the notice.</p> <ol style="list-style-type: none"> (1) Election or discharge of directors or supervisors; (2) Amendments to the Articles; (3) Capital reduction; (4) Apply to stop public offering; (5) Dissolution, merger, shares transfer, or spin-off of the Company; (6) Entering into, amendment to or termination of any contract for lease of its business in whole, or for entrusting business, or for regular joint operation with others; (7) The transfer of the whole or any material part of its business or assets; (8) Taking over another's whole business or assets, which will have a material effect on the business operation of the Company; (9) Carrying out private placement of its securities; (10) Granting waiver to the Director's engaging in any business within the scope of business of the Company; (11) distributing part or all of its dividends or bonus by way of issuance of new Shares; and (12) The statutory reserve and the capital reserve due to the issuance of stock premiums or gifts, and the distribution to the original shareholders with new shares or cash. <p>6. At least twenty-one days' notices shall be given for any annual general meetings. The Company shall prepare general shareholders' meeting handbook and the relevant materials, which will be sent to</p>		

<p>The important matters in connection with protection of shareholder equity</p>	<p>The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》</p>	<p>The Company’s Articles of Incorporation provided rules and any departure of such implementation</p>
<p>or made available to all Shareholders and shall be published.</p>		
<ol style="list-style-type: none"> 1. A company whose shareholders may exercise their voting power in writing or by way of electronic transmission in a shareholders' meeting. However, the company complies with the “Scope of Applicable Electronic Voting of the Company” promulgated by the competent authority of the Republic of China Securities and the newly listed primary listed company, which shall list electronic transmission as one of the voting rights exercise channels. 2. The votes of the shareholders' meeting may be exercised in writing or by way of electronic transmission if the company convenes a shareholder meeting outside the Republic of China. 3. The votes of the shareholders' meeting may be exercised in writing or by way of electronic transmission and the method for exercising the votes shall be described in the notice of the general meeting. A shareholder who exercises his/her/its voting power at a shareholders' meeting in writing or by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person. But he/she shall be deemed to have waived his/her/its voting power in respect of any extemporary motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said shareholders' meeting. 4. In case a shareholder elects to exercise his/her/its voting power in writing or by way of electronic transmission, his/her/its declaration of intention shall be served to the 	<ol style="list-style-type: none"> 1. Article 177-1 of the Company Act 2. Article 177-2 of the Company Act 3. Article 178 of the Company Act 4. Article 179 of the Company Act 5. Article 180 of the Company Act 	<ol style="list-style-type: none"> 1. There is no related law in the Cayman Islands Companies Law for the case a shareholder elects to exercise his/her/its voting power in writing or by way of electronic transmission. 2. There is no related law in the Cayman Islands Companies Law for the recusal system of shareholders. 3. Article 61 of the Cayman Islands Companies Law, each shareholder has one vote if there is no provision. 4. Article 37(A)(1)(b)(ii) of the Cayman Islands Companies Law(effective on April 2011), the company holds its own shares in accordance with the law, has no voting rights and is not included in the issued shares. Except for the previous provisions, there is no relevant law in the Cayman Islands Companies Law for the shares without voting power. 5. The Company has listed the relevant provisions in Articles 62, 65,(shareholders who are not allowed to exercise voting rights should still be counted as a quorum) 66, 67,(only those who exercise their voting rights in writing or electronically are deemed to have appointed the chairman of the shareholders' meeting as their agent.) 68, 69, and 70(A) of the Articles of Association.

The important matters in connection with protection of shareholder equity	The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》	The Company's Articles of Incorporation provided rules and any departure of such implementation
<p>company two days prior to the scheduled meeting date of the shareholders' meeting, whereas if two or more declarations of the same intention are served to the company, the first declaration of such intention received shall prevail. Unless an explicit statement to revoke the previous declaration is made in the declaration which comes later.</p> <p>5. In case a shareholder who has exercised his/her/its voting power in writing or by way of electronic transmission intends to attend the shareholders' meeting in person, he/she/it shall, two days prior to the meeting date of the scheduled shareholders' meeting and in the same manner previously used in exercising his/her/its voting power, serve a separate declaration of intention to rescind his/her/its previous declaration of intention made in exercising the voting power under the preceding Paragraph Two. In the absence of a timely rescission of the previous declaration of intention, the voting power exercised in writing or by way of electronic transmission shall prevail.</p> <p>6. A shareholder who has a personal interest in the matter under discussion at a meeting, which may impair the interest of the company, shall not vote nor exercise the voting right on behalf of another shareholder. The shares for which voting right cannot be exercised shall not be counted in the number of votes of shareholders present at the meeting.</p> <p>7. Except in the circumstances otherwise provided for in this Act, a shareholder shall have one voting power in respect of each share in his/her/its possession.</p>		

The important matters in connection with protection of shareholder equity	The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》	The Company's Articles of Incorporation provided rules and any departure of such implementation
<p>8. The shares shall have no voting power under any of the following circumstances: The shares held by shareholders having no voting right shall not be counted in the total number of issued shares while adopting a resolution at a meeting of shareholders.</p> <p>(1) The share(s) of a company that are held by the issuing company itself in accordance with the laws.</p> <p>(2) The shares of a holding company that are held by its subordinate company, where the total number of voting shares or total shares equity held by the holding company in such a subordinate company represent more than one half of the total number of voting shares or the total shares equity of such a subordinate company.</p> <p>(3) The shares of a holding company and its subordinate company(ies) that are held by another company, where the total number of the shares or total shares equity of that company held by the holding company and its subordinate company(ies) directly or indirectly represents more than one half of the total number of voting shares or the total share equity of such a company.</p>		
<p>1. A shareholder may appoint a proxy to attend a shareholders' meeting in his/her/its behalf by executing a power of attorney stating therein the scope of power authorized to the proxy.</p> <p>2. Except for trust enterprises or stock agencies approved by the competent authority, when a person who acts as the proxy for two or more shareholders, the number of voting power</p>	<p>1. Article 177 of the Company Act</p>	<p>1. Article 60(1)(a) of the Cayman Islands Companies Law, the calculation of the resolution threshold of the shareholders' meeting shall be included in the voting rights when the company allows the agent to be entrusted by the shareholders to attend the shareholders' meeting</p> <p>2. There is no relevant laws in the Cayman Islands Companies</p>

The important matters in connection with protection of shareholder equity	The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》	The Company's Articles of Incorporation provided rules and any departure of such implementation
<p>represented by him/her shall not exceed 3% of the total number of voting shares of the company, otherwise, the portion of excessive voting power shall not be counted.</p> <p>3. A shareholder may only execute one power of attorney and appoint one proxy only, and shall serve such written proxy to the company no later than 5 days prior to the meeting date of the shareholders' meeting. In case two or more written proxies are received from one shareholder, the first one received by the company shall prevail. Unless an explicit statement to revoke the previous written proxy is made in the proxy which comes later.</p> <p>4. Issuing the said proxy intends to attend the shareholders' meeting in person or to exercise his/her/its voting power in writing or by way of electronic transmission , a proxy rescission notice shall be filed with the company two days prior to the date of the shareholders' meeting as scheduled in the shareholders' meeting notice so as to rescind the proxy at issue, otherwise, the voting power exercised by the authorized proxy at the meeting shall prevail.</p> <p>5. When the company convenes a shareholder meeting outside the Republic of China, it should entrust a professional Shareholders' Service Agent in the territory of the Republic of China to accept shareholder voting matters</p>		<p>Law regarding the form of the power of attorney, the number of entrust, the maximum number of proxy voting rights and the revocation of the power of attorney.</p> <p>3. The Company has listed the relevant provisions in Articles 71, 72, 74, and 75 of the Articles of Association.</p>
<p>At the end of each fiscal year, the board of directors shall prepare a business report, financial statements, and a proposal for the distribution of surplus or loss. It shall be submitted to the shareholders' general meeting for recognition. After being recognized by the shareholders'</p>	<p>1. Article 228 of the Company Act 2. Item 1 of Article 230 of the Company Act</p>	<p>1. Article 59 of the Cayman Islands Companies Law, the company should keep proper books and lists. However, there is no relevant laws in the Cayman Islands Companies Law on whether the proposal for the provision of business reports, financial statements or</p>

The important matters in connection with protection of shareholder equity	The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》	The Company's Articles of Incorporation provided rules and any departure of such implementation
meeting, the board of directors shall distribute or announce the shareholders' resolutions in the financial statements and the distribution of surplus or loss..		surplus losses should be recognized by the shareholders' meeting. 2. The Company has listed the relevant provisions in Article 137 of the Articles of Association.
<p>1. The report of the board of directors and the supervisors submitted by the board of directors (if the company has a supervisor) shall be placed in the stock agency of the Republic of China 10 days before the regular meeting of the shareholders. .</p> <p>2. The Board of directors shall keep at the office of its Shareholders' Service Agent in Taiwan copies of these Articles, the minutes of every meeting of the Shareholders and the financial statements, the Register of Members and the counterfoil of corporate bonds issued by the Company. Any Shareholder of the Company may request, by submitting evidentiary document(s) to show his/her interests involved and indicating the scope of interested matters, an access to inspect, duplicate, and to make copies of the Memorandum and Articles and accounting books and records: The Company should request the Shareholders' Service Agent to offer the said documents.</p> <p>3. The board of directors or other authorized conveners of shareholders' meetings may require a company or its shareholder service agent to provide with the roster of shareholders.</p>	<p>1. Item 1 in Article 184 of the Company Act</p> <p>2. Article 229 of the Company Act</p> <p>3. Article 210 of the Company Act</p> <p>4. Article 210-1 of the Company Act</p>	<p>1. Article 64 of the Cayman Islands Companies Law, the court may appoint an inspector to inspect the company's business matters. However, there is no relevant norms in the Cayman Islands Companies Law regarding matters of shareholder access.</p> <p>2. The Company has listed the relevant provisions in Articles 138 and 142 of the Articles of Association.</p>
A company shall not do any of the following material acts for shareholders' equity without a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its	<p>1. Article 185 of the Company Act</p> <p>2. Article 277 of the Company Act</p> <p>3. Article 159 of the Company Act</p> <p>4. Article 240 of the Company Act</p>	<p>1. Regarding the circumstances of items 1 and 4 in the left column, the Cayman Islands Companies Law does not require a special resolution.</p> <p>2. Regarding the circumstances of items 2 and 3 in the left</p>

The important matters in connection with protection of shareholder equity	The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》	The Company's Articles of Incorporation provided rules and any departure of such implementation
<p>outstanding shares. If the total number of shares represented by the shareholders present at shareholders' meeting is not sufficient to meet the criteria specified in the preceding paragraph, the resolution to be made thereto may be adopted by two-thirds or more of the attending shareholders who represent a majority of the total number of its outstanding shares:</p> <ol style="list-style-type: none"> 1. Enter into, amend, or terminate any contract for lease of the company's business in whole, or for entrusted business, or for regular joint operation with others; the transfer of the whole or any material part of its business or assets; taking over another's whole business or assets, which will have a material effect on the business operation of the Company. 2. Amendments to the Articles; 3. Any modification or alteration in the Articles of Incorporation prejudicial to the privileges of special shareholders shall be adopted by a meeting of special shareholders. 4. Distributing part or all of its dividends or bonus by way of issuance of new Shares 5. Resolution of dissolution, merger, or spin-off 	<p>Act 5. Article 316 of the Company Act</p>	<p>column, according to Article 24 of Cayman Islands Companies Law, the amendment of the company's articles of association is subject to a special resolution by the shareholders' meeting. According to Item 1a in Article 60 of Cayman Islands Companies Law, a special resolution shall be adopted by two-thirds of the shareholders with voting right.</p> <ol style="list-style-type: none"> 3. Regarding the circumstances of item 5 in the left column, according to Article 116 of Cayman Islands Companies Law, when the company is dissolved, if the company is unable to pay off the debts due, it will be made by ordinary resolution. Otherwise, it shall be made by special resolution. 4. In addition, at the time of the company's merger, except for the merger of the parent company and the subsidiary company, it is not subject to the resolution of the shareholders' meeting. According to Item 6 in Article 233 of Cayman Islands Companies Law, the shareholders' resolutions are as follows: <ul style="list-style-type: none"> a resolution adopted by a majority of the shareholders present who represent three-fourths or more of the total number of its outstanding shares; and <p>The shares issued by the surviving company or newly incorporated company, the rights and value incidental to the shares are the same as those held by the combining company, shall be adopted by two-thirds of the shareholders with voting right.</p>

The important matters in connection with protection of shareholder equity	The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》	The Company's Articles of Incorporation provided rules and any departure of such implementation
		<p>Regardless of whether or not the shares held by the shareholders have the right to vote, the shareholders can exercise their voting rights under the above circumstances.</p> <p>5. The Company has listed the relevant provisions in Articles 57, 58, and 157 of the Articles of Association. Regarding the matter of any modification or alteration in the Articles of Incorporation prejudicial to the privileges of special shareholders shall be adopted by a meeting of special shareholders. As stipulated in Article 10 of the Articles of Association, the rights and obligations of the special shares will be revised to the articles of association after the board of directors decides to issue special shares and before it has not been actually issued. The company will decide to issue special shares and then amend the relevant regulations into the Articles of Association. In addition to the resolution threshold for the dissolution of the company, Article 59 of the Articles of Association is the same as Article 116 of the Cayman Islands Companies Law.</p>
Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Articles of Association or by law, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.	Article 174 of the Company Act	<ol style="list-style-type: none"> 1. According to Cayman Islands Companies Law, amendments to the Articles; 2. The Company has listed the relevant provisions in Article 55 of the Articles of Association.

VI. Any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: N/A.